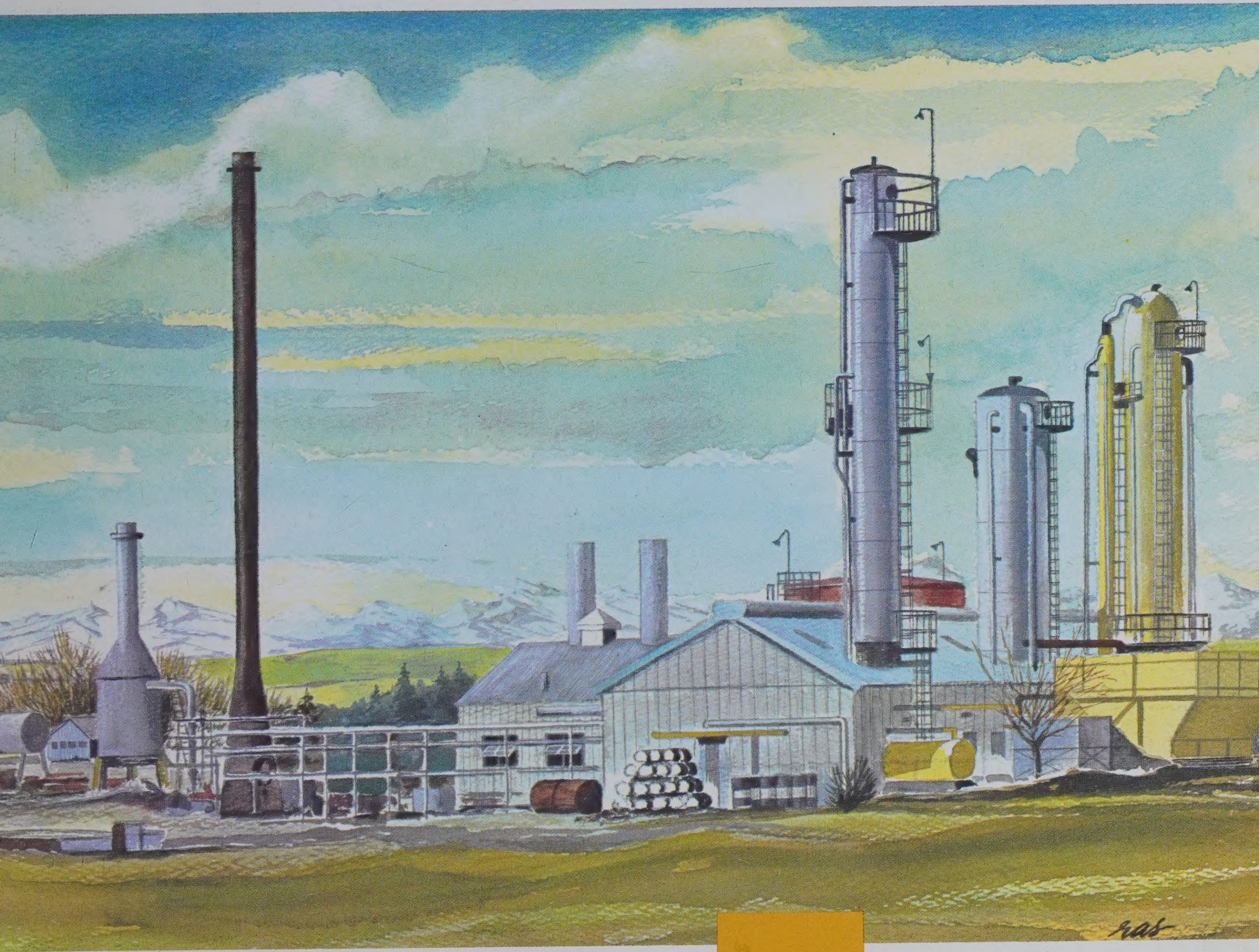


Home Oil Company Limited 1959 Annual Report

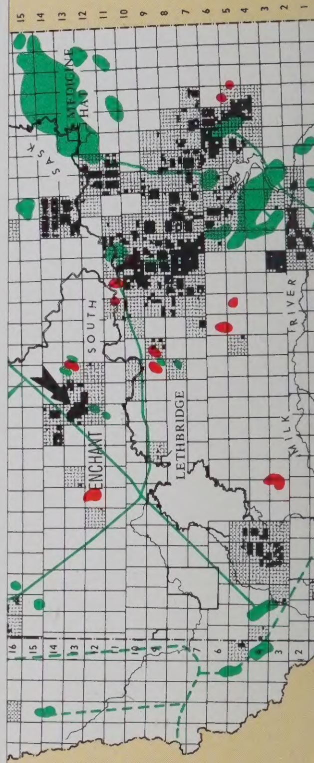
DIRECTORS

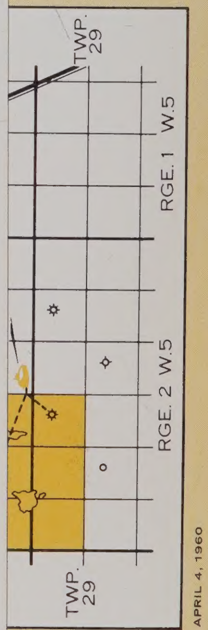
* R. A. BROWN, Jr.	Calgary, Alberta
* R. M. BROWN	Vancouver, B.C.
* R. W. CAMPBELL	Calgary, Alberta
* E. F. DAVIS	Los Angeles, California
M. A. DUTTON	Calgary, Alberta
* B. W. GILLESPIE	San Mateo, California
* J. W. MOYER	Calgary, Alberta
W. A. ROCKEFELLER	New York, N.Y.
J. B. WEIR	Montreal, Quebec
* R. WILL	Calgary, Alberta
A. H. WILLIAMSON	Vancouver, B.C.

* MEMBER EXECUTIVE COMMITTEE

OFFICERS

J. W. MOYER	Chairman, Board of Directors
R. A. BROWN, Jr.	President and Managing Director
R. W. CAMPBELL	Vice-President and General Manager
R. M. BROWN	Vice-President
B. W. GILLESPIE	Vice-President
M. C. GOVIER	Secretary and Treasurer
R. F. PHILLIPS	Comptroller
J. W. HAMILTON	Assistant-Secretary
R. B. COLEMAN	Assistant-Secretary





Home Oil Company Limited

THIRTY-FIRST

ANNUAL REPORT

1959

Map showing properties of

Home Oil Company Limited

Contents

Our Cover

The attractive water color of the new Carstairs gas processing plant was painted especially for this report by Robert A. Saunders of Calgary.

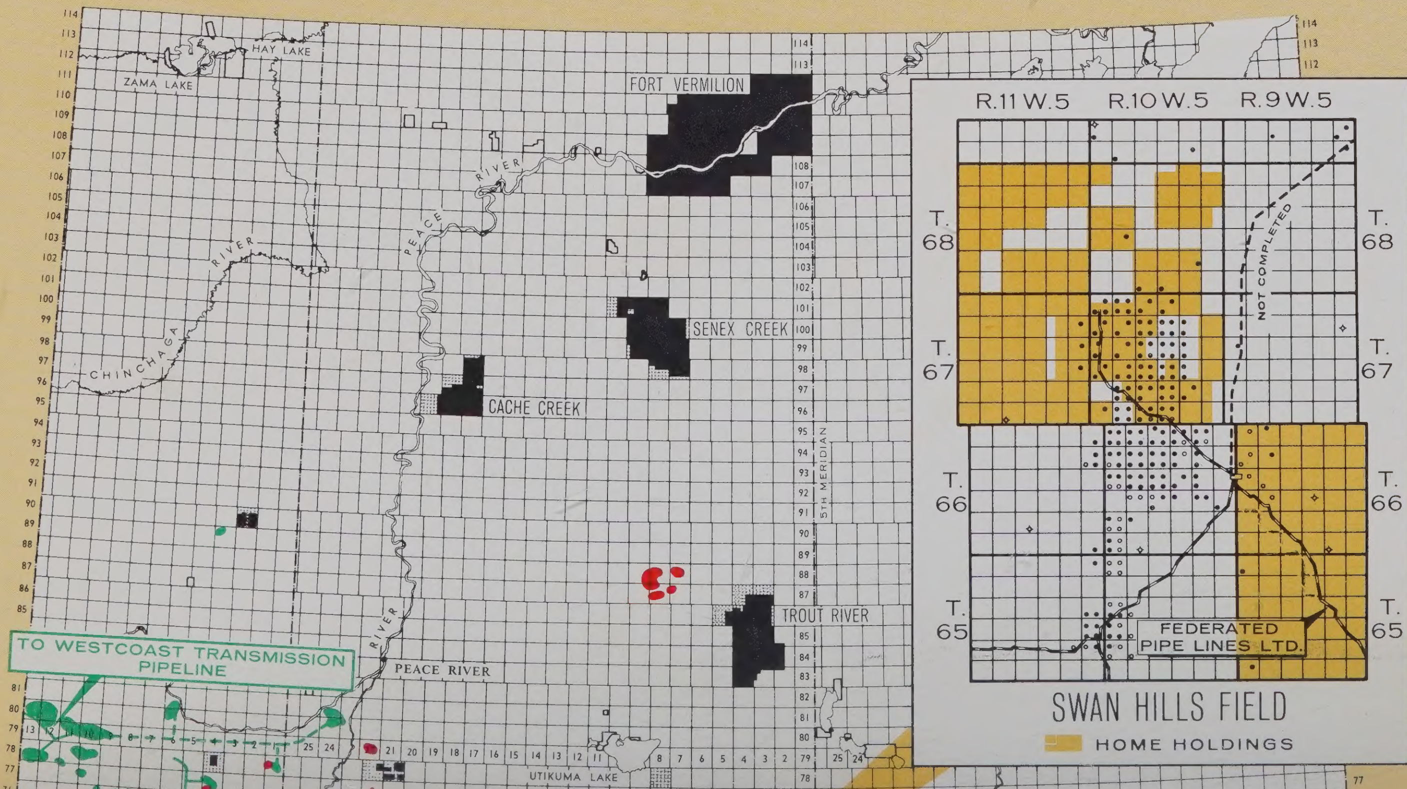
ALBERTA

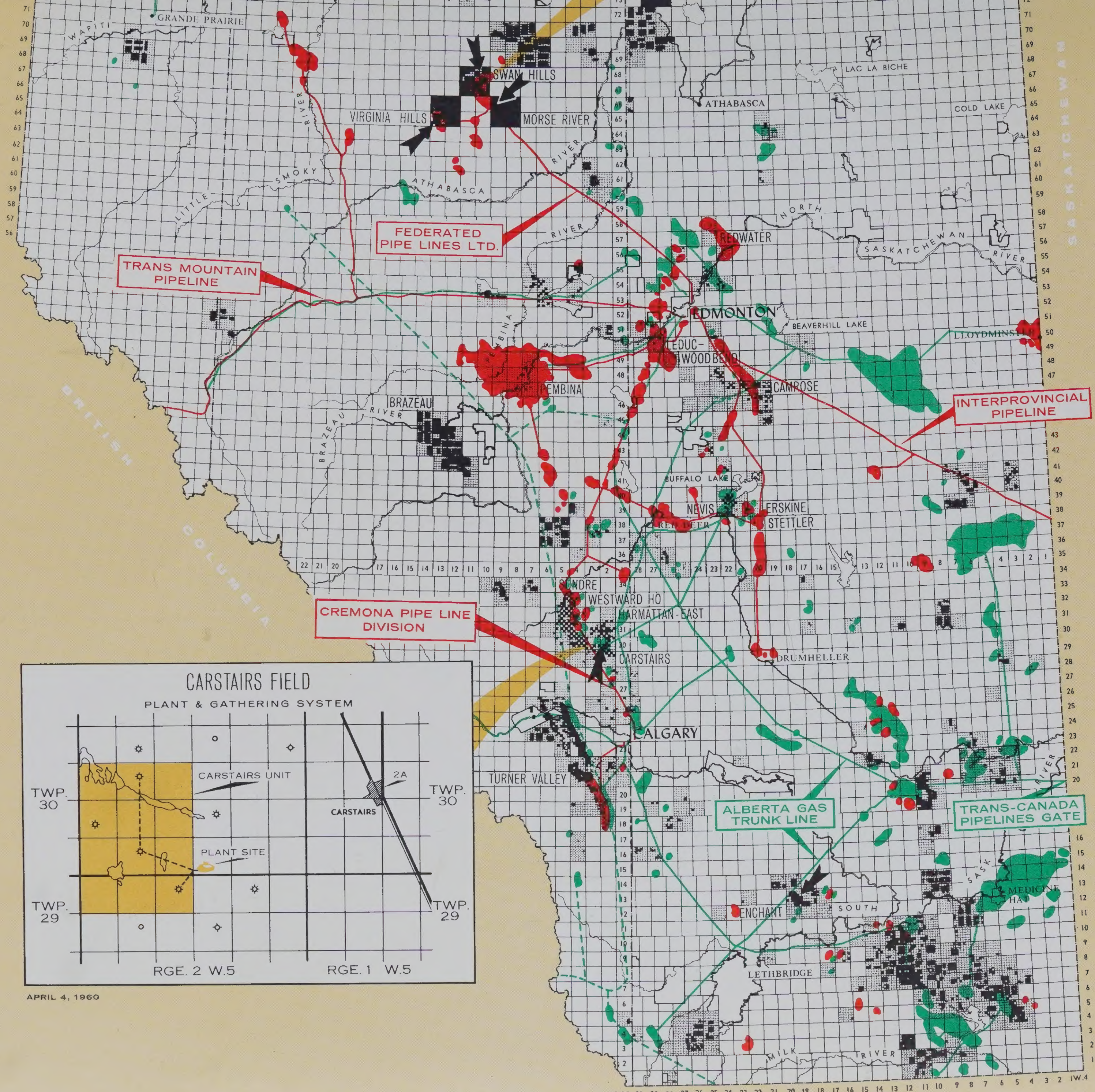
OIL AND GAS MAP

(indicating properties of Home Oil Company Limited)

Home Oil Company Limited

- Property in which Home Oil has varied interests
- Oil Fields
- Gas Fields
- Oil Well
- Location
- Home Oil Discoveries in 1959
- Drilling
- Abandoned Well
- Oil Pipe Lines
- Gas Pipe Lines
- Proposed Pipe Lines




SASKATCHEWAN
BRITISH COLUMBIA
GRANDE PRAIRIE
WAPITI
SWAN HILLS
VIRGINIA HILLS
MORSE RIVER
ATHABASCA
LAC LA BICHE
COLD LAKE
SMOKY RIVER
LITTLE SMOKY
ATHABASCA RIVER
FEDERATED PIPE LINES LTD.
TRANS MOUNTAIN PIPELINE
NORTH SASKATCHEWAN RIVER
REDWATER
EDMONTON
BEAVERHILL LAKE
LLOYDMINSTER
LEDUC-WOODBEND
PEMBINA
CAMROSE
BRAZEAU RIVER
INTERPROVINCIAL PIPELINE
BUFFALO LAKE
NEVIS
ERSKINE
STETTLER
RED DEER
SUNDRE
WESTWARD HO
HARMATTAN-EAST
CARSTAIRS
DRUMHELLER
CREMONA PIPE LINE DIVISION
CALGARY
TURNER VALLEY
ALBERTA GAS TRUNK LINE
TRANS-CANADA PIPELINES GATE
ENCHANT
SOUTH SASK RIVER
MEDICINE HAT
LETHBRIDGE
MILK RIVER
W.5
W.4
CARSTAIRS FIELD
PLANT & GATHERING SYSTEM
CARSTAIRS UNIT
PLANT SITE
2A
CARSTAIRS
TWP. 30
TWP. 29
RGE. 2 W.5
RGE. 1 W.5
APRIL 4, 1960

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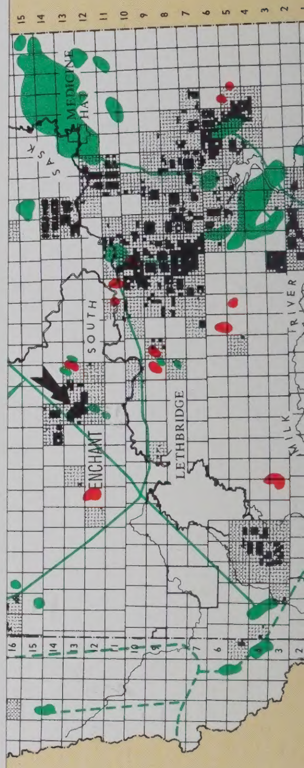
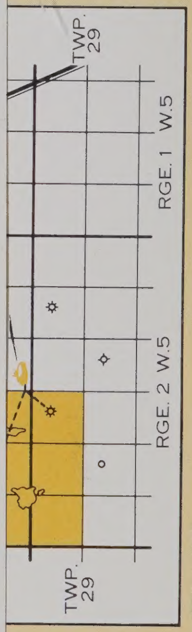
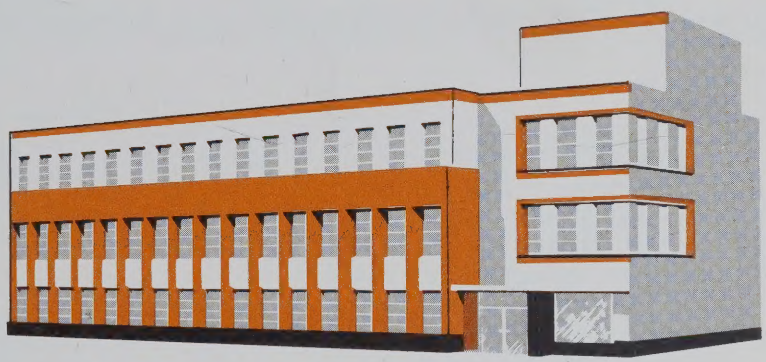




APRIL 4, 1960

HOME OIL COMPANY LIMITED



FACT BOOK

PREPARED FOR

Company Conference
Twelfth Annual Convention
The National Federation
of
Financial Analysts Societies

QUEEN ELIZABETH HOTEL
MONTREAL

Wednesday, June 17, 1959

FINANCIAL

	1958
Gross income from operations	$ 7,510,000
Income before capital charges	2,853,000
Loss for the year	597,000
Capital expenditures (including dry hole costs)	8,153,000
Investment — Trans-Canada Pipe Lines Limited — year end	$30,493,000

OPERATING

	To May 1, 1959
Oil production — net barrels	942,565
Daily average — net barrels	7,855
Cremona pipeline throughput — daily average barrels	7,814
Federated Pipelines Ltd. throughput — daily average barrels	4,173
Land holdings — net acres (at June 1, 1959)	1,735,667
Oil and LPG reserves — net barrels, proven and probable	165,762,000
Gas reserves — billion cubic feet, proven and probable	495
Shareholders	15,257
Employees	290

CAPITALIZATION AND DEBT — JUNE 1, 1959

Capital Stock	Shares
Authorized — Class A	4,343,873
— Class B	3,656,127
Issued — Class A	2,054,442
— Class B (including 275,506 shares held by subsidiary companies)	2,349,531

Long Term Debt

5½% Secured Notes due 1971	$ 8,500,000
5¾% Secured Convertible Sinking Fund Debentures due 1971	4,985,000
6½% Secured Sinking Fund Pipe Line Bonds due 1977	1,900,000
5½% Mortgage maturing 1975	574,000
	$15,959,000
Bank Loan	$23,500,000

HOME OIL COMPANY LIMITED

History

The roots of Home Oil Company go back to Turner Valley in several important ways. The original incorporation was in 1925 and the present company was incorporated by Dominion Charter in 1929. It is interesting to note that the company reported a net income of $716,343 after taxes in that year. The onset of the depression and drop in production from Turner Valley quickly changed that into a deficit. In 1934, Home Oil sold all its original Turner Valley properties to Royalite Oil Company and retired from active production.

In 1936, following the Turner Valley Royalties discovery by R. A. Brown Sr., Home Oil was reactivated and in 1939 discovered and developed the immense reserves in the north end of Turner Valley. For the next decade it was one of Canada's largest oil producing companies.

Meanwhile Brown, Moyer and Brown (R. A. Brown, Sr., J. W. Moyer and R. A. Brown Jr.) consolidated their Turner Valley holdings into Federated Petroleums. Following the death of his father, R. A. Brown Jr., became the active head of Federated and in 1949 negotiated the purchase of Imperial Oil's entire Turner Valley holdings — 38 wells producing 46,000 barrels per month.

In 1951 Mr. Brown obtained control of Home Oil Company and Home and Federated were merged in 1955. Mr. Brown's personal holdings, meanwhile, were transferred to United Oils, Limited. United holds 828,906 Class B shares of Home Oil Company Limited. Mr. Brown holds 2,814,620 shares of United Oils, Limited.

Corporate Philosophy

During the last five years, Home Oil's activity within the oil industry has been steadily expanded and diversified. Within the realms of drilling and production of oil and gas, it had more than 30 years of experience upon which to build. In exploration, production, transportation, gas processing, and secondary recovery, it has sought to put together an organization capable of doing internally all things necessary for the successful operation of an exploration and production company.

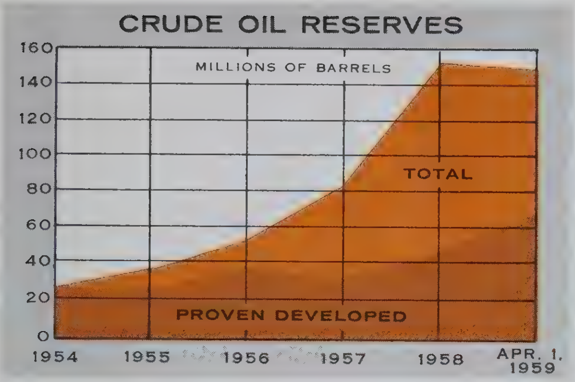
This makes it possible to call upon the cumulative experience of its own employees both in solving its problems and in the assessment of the exploration opportunities that become available. As an operating company, it is able to attract outside capital to its operation on a participating basis. This has enabled it to take part in more plays than would otherwise be possible. The participation of outside companies also helps to absorb some of the company's operating and overhead expenses.

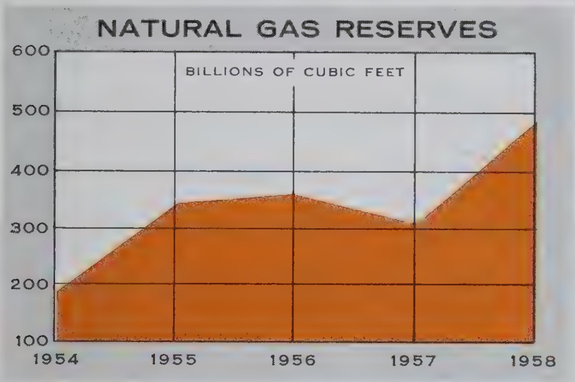
In recent years, Home Oil has been joined in its most important plays by Geoil Limited and Alminex Limited (now one company) and Kern County Land Company of California. Many other companies have joined with Home Oil Company Limited for particular projects.

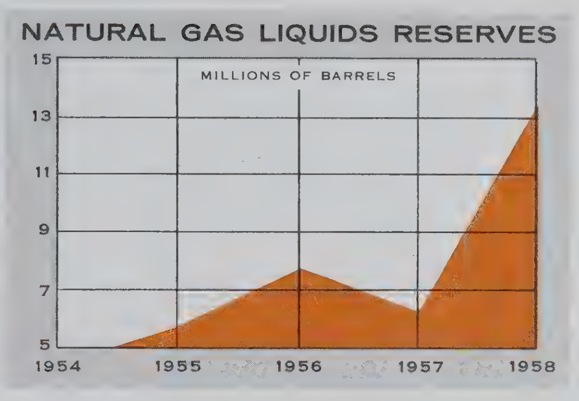
The Record

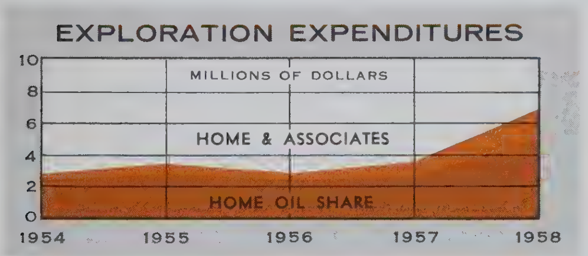
Home Oil Company can claim the credit for the discovery of two major oil fields and several somewhat smaller but definitely significant oil and gas fields. Its crude oil discoveries in Turner Valley produced one of the world's great reservoirs. Its Swan Hills discovery has every indication of being the fore-runner of development of one of Canada's largest oil reserves. Between the two it discovered the Harmattan-Elkton and Virginia Hills oil fields and the Carstairs gas field. It participated in the finding of the Westward Ho, Camrose and Woodbend oil fields and the Nevis and Sarcee gas fields. It is currently assessing its combined oil and gas strike in the Enchant area.

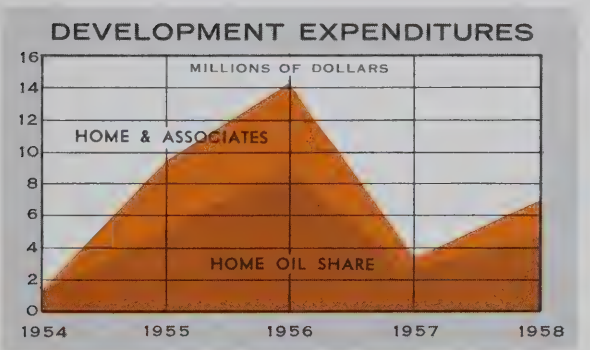
Reserves Expenditures, and Annual Net Production

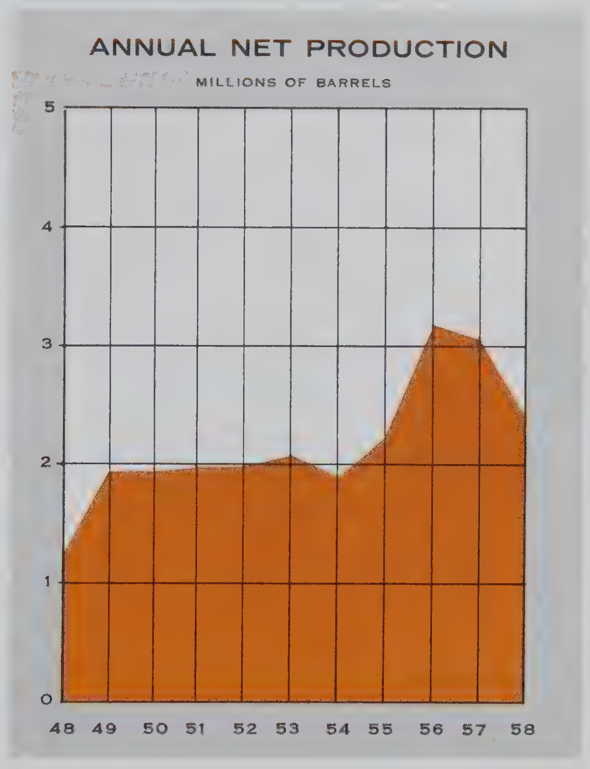












HOME OIL COMPANY LIMITED

5 Years at a glance • 1954 to 1958

	1958	1957	1956	1955	1954
FINANCIAL					
Gross income from operations	$ 7,510,000	$ 9,097,000	$ 8,712,000	$ 6,285,000	$ 6,004,000
Income before capital charges	2,853,000	4,323,000	4,586,000	3,426,000	3,008,000
Net income (loss)	(597,000)	(770,000)	(746,000)	367,000	791,000
Capital expenditures including dry hole costs	8,153,000	4,533,000	13,428,000	7,709,000	3,716,000
Working capital (deficiency)	(20,992,000)	(3,578,000)	8,167,000	1,356,000	2,294,000
Properties, wells, plant and equipment less depletion and depreciation	35,819,000	34,293,000	35,116,000	26,680,000	21,356,000
Investment Trans-Canada Pipelines Ltd.	30,493,000	12,985,000	—	—	—
Long term debt (due after one year)	15,436,000	23,132,000	22,506,000	6,234,000	2,520,000
Shareholders' equity	31,798,000	22,365,000	22,639,000	23,779,000	23,341,000
Shareholders Class A Common	8,246	6,801	7,019	—	—
Shareholders Class B Common	7,011	7,029	6,881	—	—
RESERVES					
Crude Oil (bbls.)	152,644,000*	81,691,000*	53,485,000*	34,620,000	25,500,000
Natural Gas Liquids (bbls.)	13,118,000*	6,322,000*	7,778,000*	5,720,000	606,000
Natural Gas (billion c.f.)	495*	306*	359*	367*	200
PRODUCTION					
Crude Oil (bbls.)	2,471,111	3,092,797	3,244,109	2,254,000	1,972,000
Natural Gas Liquids (bbls.)	64,800	65,074	59,600	70,000	63,000
Natural Gas (m.c.f.)	5,371,993	6,122,928	5,690,747	6,920,000	6,494,000
WELLS DRILLED					
Gross	43	30	104	57	27
Net					
Oil	5	10	51	19	8
Gas	3	2	1	3	1
Dry	8	5	9	5	2
PRODUCING WELLS — OIL					
Gross	400	400	404	315	282
Net	238	243	246	193	193
PRODUCING WELLS — GAS					
Gross	22	14	14	13	13
Net	10	9	9	8	8
CAPPED GAS WELLS					
Gross	39	32	35	32	21
Net	12	10	9	9	6
EXPLORATION ACREAGE					
Gross	2,540,525	2,026,986	1,655,000	893,000	958,000
Net	1,104,335	768,564	674,000	400,000	322,000
CREMONA PIPELINE THROUGHPUT					
Total	2,697,433	2,169,995	646,526	—	—
Average	7,390	5,945	7,027	—	—

* Includes probable additional reserves.
All statistical data appearing in this report refers to Home Oil & Federated Petroleums as if the amalgamation had been in effect during the periods referred to.

COMPANY SHARE OF PRODUCTION

(CRUDE OIL)

Field	1958 (Barrels)	1957 (Barrels)
Turner Valley	487,985	564,147
Pembina	430,770	710,163
Leduc-Woodbend	399,611	497,914
Harmattan-Elkton	387,847	428,498
Redwater	247,653	400,959
Erskine	228,417	236,723
Westward Ho	154,412	140,267
Joarcam	63,039	80,543
Harmattan East	21,285	—
Swan Hills	20,573	283
Stettler	12,987	16,812
Sundre	7,184	6,902
Virginia Hills	6,010	—
Glenevis	3,226	8,688
Carstairs	112	—
Other fields	—	898
	2,471,111	3,092,797
DAILY AVERAGE	6,770	8,473

The Company's production was adversely affected during 1958 because of:

(1) A reduction of 18.3% in the market demand for Alberta crude from the year 1957.

(2) Sale of producing properties in Pembina and Harmattan-Elkton to Tennessee Natural Gas Transmission Company on January 1, 1958.

(3) Normal decline in production rate in some of the older fields.

1958 DRILLING RECORD

WELLS COMPLETED IN 1958

	Development		Exploratory		Total	
Gross Wells	25		18		43	
Net Wells	8.58		7.21		15.79	
	Gross	Net	Gross	Net	Gross	Net
Oil	17	5.44	—	—	17	5.44
Gas	5	2.00	1	0.58	6	2.58
Dry	3	1.14	17	6.63	20	7.77

In addition to the above, Home Oil participated in further drilling operations through land contributions. This consisted of five development wells of which three were completed as oil wells (Home 3.875 gross royalty) and two as dry and abandoned.

There were also four exploratory wells drilled, all of which were dry and abandoned.

At the year's end there were ten development oil wells and five exploratory wells being drilled. Home Oil has an interest in each of these wells.

PRODUCING PROPERTIES AS OF DECEMBER 31, 1958

PRODUCING OIL WELLS

Field	Gross Wells	Net Wells
Camrose	34	10.8
Erskine	20	17.5
Harmattan-Elkton	24	15
Harmattan East	4	1
Leduc-Woodbend	69	33.7
Pembina	49	30
Redwater	24	18.0
Stettler	1	0.9
Sundre	2	1.2
Turner Valley	126	96.8
Westward Ho	19	8.3
Glenevis	2	0.7
Swan Hills	7	2.2
Virginia Hills	2	0.40
	383	236.5

PRODUCING GAS WELLS

Field	Gross Wells	Net Wells
Turner Valley	9	8.5
Bindloss	5	.5
Atlee-Buffalo-Jenner	3	.8
	17	9.8

CAPPED GAS WELLS

Field	Gross Wells	Net Wells
Amisk Lake	3	.8
Bindloss	7	.7
Erskine	2	1.312
Harmattan-Elkton	3	2.1
Nevis	5	1.4
Priddis	2	.3
Woodbend	1	.3
Miscellaneous Areas	3	0.8
Carstairs	4	2.3
Atlee-Buffalo-Jenner	9	2.4
	39	12.4

ROYALTY INTEREST — OIL

Field	Gross Wells	Net Wells
Camrose	4	0.2
Turner Valley	5	.5
Leduc	4	0.4
Westward Ho	4	.15
	17	1.25

ROYALTY INTEREST — GAS

Field	Gross Wells	Net Wells
Fort Saskatchewan	5	0.5

MISCELLANEOUS STATISTICS

Natural Gas Liquid Sales		
Home Share	64,800	barrels
Natural Gas Sales		
Home Share	5,371,993	M.C.F.
Pressure Maintenance		
Water Injection Wells (Gross)	12	Wells
(Net)	7.76	Wells

HOME OIL COMPANY LIMITED

Head Office 304 - 6TH AVENUE WEST, CALGARY, ALBERTA

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* A. Clark, Calgary, Alberta
* E. F. Davies, Los Angeles, California
M. A. Dutton, Calgary, Alberta
* B. W. Gillespie, San Mateo, California
* J. W. Moyer, Calgary, Alberta
W. A. Rockefeller, New York, N.Y.
J. B. Weir, Montreal, Quebec
* R. Will, Calgary, Alberta
A. H. Williamson, Vancouver, B.C.

* Member Executive Committee

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R. M. Brown, Vice-President
A. Clark, Vice-President
B. W. Gillespie, Vice-President
M. C. Govier, Secretary and Treasurer
J. W. Hamilton, Assistant-Secretary
R. F. Phillips, Comptroller

MANAGEMENT COMMITTEE

R. A. Brown Jr., *President and Managing Director*
John W. Moyer, *Chairman of the Board*
Alex Clark, *Vice-President, Exploration*
Robert W. Campbell, *General Manager*
Max C. Govier, *Secretary-Treasurer*
Maurice P. Paulson, *Manager Production and Pipelines*

OPERATING ORGANIZATION

John H. Hamilton, *Assistant to General Manager*

John L. Carr, *Chief Geologist*
George J. Blundun, *Chief Geophysicist*
Robert E. Humphreys, *Manager, Land Department*
A. B. Van Tine, *Exploration Research*

William D. Lundberg, *Production Superintendent*
Alexander G. Morison, *Chief Petroleum Engineer*
Howard R. Wyckoff, *Drilling Superintendent*
Gordon W. Webster, *Drilling Contracts and Unitizations*
Kevin C. Milne, *Manager, Gas Department*

Ross F. Phillips, *Comptroller*
Graham W. Bennett, *Chief Accountant*
John D. Balfour, *Manager, Personnel and Industrial Relations*
Edward P. Swiffen, *Purchasing Agent*
George M. Thompson, *Manager, Systems and Procedures*

Bartlett B. Rombough, *Assistant to the Treasurer*
John W. Bellamy, *Assistant to the Treasurer, Taxation*

Ronald B. Coleman, *Secretarial and Legal Officer*

Ian M. Drum, *Manager, Special Projects*

James H. Gray, *Manager, Public Relations*

Who's Who in Home Oil Company Limited

R. A. BROWN JR. was born into the oil business in Calgary 45 years ago. His father, R. A. Brown, Sr., was interested in the first oil play in Turner Valley, helped form United Oils, Limited in 1918 and organized Turner Valley Royalties which made its historic discovery in 1936. Mr. Brown left the University of Alberta to join his father and J. W. Moyer in the firm of Brown, Moyer and Brown. It drilled and operated many successful wells in the Valley before and during the Second World War. After serving with the Royal Canadian Navy during the war, he returned to the oil business and assumed active management of Federated Petroleums on the death of his father in 1948.

ALEX CLARK who is 56, was born in Montana and is a graduate of Whittier College in California. He holds a Master of Science degree in Geology from the California Institute of Technology. Mr. Clark joined Shell Oil in 1929 and scouted the Turner Valley discovery for that company in 1936. He was sent to Alberta in 1941 to take charge of Shell's exploration activities but returned to the States in 1943. He was chosen by Mr. Brown to head Home's exploration activities in 1952. He commuted between Calgary and Casper, Wyoming for two years prior to moving permanently to Calgary. He has been a director and vice-president exploration of Home Oil since 1953.

ROBERT W. CAMPBELL got into the Home Oil organization through its American subsidiary. He was first land manager and later vice-president and general manager of Williston Oil and Gas Company at Casper, Wyoming. When that operation was closed down, he transferred to Calgary in 1955 as vice-president and general manager of Cremona Pipelines. He holds bachelor of law and bachelor of science degrees from Creighton University, Omaha. He was appointed manager of production and pipelines of Home Oil in 1958 and general manager of the company in 1959. He was born in 1922.

MAURICE P. PAULSON is a native Albertan who graduated from the University of Oklahoma College of Engineering with a B. Sc. in petroleum engineering. His first job was with the Alberta Oil and Gas Conservation Board as a field and office engineer. He was field petroleum engineer with Oil Ventures Limited and was field and district engineer with Imperial Oil from 1946 to 1950. He was divisional petroleum engineer when he left in 1951 to join Home Oil. He was chief engineer until 1958 when he was promoted to operations manager. He was named manager of production and pipelines in 1959. He will be 40 in October.

MAX C. GOVIER. A native of Manitoba, Mr. Govier has been associated with Mr. Brown since 1950. He was named chief accountant for the Federated group of companies in that year and was named comptroller of Home Oil Company in 1955. He is a Chartered Accountant who practiced in Canada and the United States prior to joining Home Oil. He was named secretary-treasurer of Home in 1958. Mr. Govier is 34.

Chronology

1925

Home Oil Company Limited was organized by Major James R. Lowery to drill in Turner Valley following the famous Royalite No. 4 discovery of wet gas and naphtha in 1924.

1929

A Canadian record was established when Home Oil paid $1,000,000 for a quarter section on the flank of Turner Valley. Company reorganized and 880,000 shares issued to old shareholders. Income from production reached $728,343.18.

1930

Precipitous drop in production began as depression settled over Canada. Production income in 1930 was $251,061.53 and the following year dropped to $9,187.77.

1934

Entire holdings in Turner Valley sold to Royalite for 20,000 shares of Royalite common stock. Company became a holding company for mining operations in B.C.

1936

R. A. Brown, Sr., and J. W. Moyer discovered crude oil in limestone of Turner Valley. R. A. Brown Sr. and J. W. Moyer — sponsors of this company — were joined by R. A. Brown Jr. and Brown, Moyer and Brown Limited was formed. They drilled a string of successful wells on royalty basis.

1939

Home Oil returned to Turner Valley and discovered the north end reservoir. Home Millarville No. 2 became the most prolific oilwell in the British Empire and has produced more than 1,745,209 barrels.

1941

Income from production in Turner Valley reached $1,385,674 and two years later Home reported a gross income of $2,036,716.87.

1947

Leduc was discovered and Home Oil joined with other Canadian independents in getting into this play quickly.

1948

Home Oil participated in the discovery of Woodbend which eventually became part of the Leduc-Woodbend field.

1950

Total oil production of Home Oil exceeded 1,500,000 barrels.

1951

R. A. Brown, Jr. obtained a controlling interest in the company.

1953

Alminex Ltd., and Geoil Ltd., became participating partners in Home Oil exloration activities.

1954

Company acquired important production in Erskine and Pembina and participated in discovery of Sarcee gas field and in the discovery of the Westward Ho oil field. This was followed by the Company's discovery of the Harmattan-Elkton field. Both were significant Mississippian discoveries.

1955

The union of Home Oil and Federated Petroleums was completed with an exchange of shares.

1956

Cremona Pipeline was built from Harmattan to Calgary at a cost of $2,600,000.

1957

In January the Company discovered the Virginia Hills oil field north west of Edmonton. In March, the Swan Hills oil field was discovered. A six mile stepout from the latter well found oil in the Edith Lake sector of Swan Hills.

1958

In equal partnership with Texaco Canada Ltd. Home Oil built the 130 mile Federated Pipeline from Swan Hills to Edmonton. It completed, by spring breakup in 1959, a total of 35 successful oil wells in the Swan Hills field. One dry hole was drilled four miles south west of the field but a successful stepout was made three miles north of the field.

Thirty five miles north of Calgary, the company discovered the Carstairs gas field. Four wells have been completed, one with an open flow potential of 107,000,000 cubic feet per day.

The Company substantially increased its holdings to 1,000,000 shares in Trans-Canada Pipe Lines through cash purchases and trade of producing properties for Trans-Canada shares.

Home Oil joined with other Canadian companies in promoting a proposal to construct a major diameter pipeline from Edmonton to Montreal. It actively participated in the hearings of the Borden Commission and submitted detailed engineering studies on the feasibility of such a project.

Kern County Land Company of California joined as participator in all Home Oil exploration plays.

1959

The Company obtained interesting oil and gas showings at a wildcat at Enchant, Alberta and further drilling is being undertaken to evaluate this strike. Plans were completed for the construction of a gas processing plant at Carstairs. The gas was contracted for sale to Trans-Canada Pipe Lines. Federated Pipeline is being extended to Sarah Lake and Judy Creek fields in the Swan Hills area. An extension is also being built to Virginia Hills.

Company substantially increased its acreage holdings to 1,735,677 net acres at June 1, an all-time record.

Lithocraft
of Calgary
LITHOGRAPHED IN CANADA

Home Oil Company Limited

THIRTY FIRST

ANNUAL REPORT

1959

Contents

Map showing properties of

Home Oil Company Limited

Our Cover

The attractive water color of the new Carstairs gas processing plant was painted especially for this report by Robert A. Saunders of Calgary.

The Brown Building, Calgary as it will appear when six additional storeys are added in 1960.

HIGHLIGHTS
OF THE DIRECTORS' REPORT

	1959	1958
FINANCIAL		
Gross Income	$ 7,893,000	$ 7,522,000
Income before capital charges	2,271,000	2,853,000
Loss for the year	763,000	597,000
Capital expenditures (including dry hole costs)	8,486,000	8,153,000
Investment — Trans-Canada Pipe Lines Limited — year end	33,850,000	30,493,000
OPERATING		
Oil production — gross barrels	5,712,849	4,883,858
Oil production — net barrels	2,637,801	2,471,111
Daily average — gross barrels	15,652	13,380
Daily average — net barrels	7,227	6,770
Cremona Pipe Line Division throughput — daily average barrels	10,155	7,390
Federated Pipe Lines Ltd. throughput — daily average barrels	5,185	—
Wells drilled — gross	57	43
Land holdings — net acres	1,659,856	1,104,335
Oil and LPG reserves — net barrels, proven and probable	170,179,000	165,762,000
Gas reserves — billion cubic feet, proven and probable	483	495
Shareholders	12,600	12,370
Employees	314	285

To the Shareholders of
Home Oil Company Limited

The year 1959 was an active, fruitful one for Home Oil Company Limited. A modest gain in production was achieved though this was not reflected in higher earnings because of a sharp cut in crude oil prices early in the year. Our ratio of discoveries to wildcats drilled was the best in our history. Federated Pipe Lines Ltd. was extended into new fields and is already a profitable investment. Our Cremona Pipe Line Division had its best year yet. The Carstairs and Nevis gas processing plants were built. The Nevis plant was placed on production in December, 1959 and the Carstairs plant in February of 1960.

[illegible] progress . . .

As will be noted from our production section, development of producing interests in the Swan Hills area of Alberta is proceeding satisfactorily. If markets were available, wells in this field would be allowed to produce an average of 230 barrels per day. Because of severe restrictions imposed on Alberta production by lack of markets, these wells were held to an average of 88.5 barrels per day. Your Company would therefore benefit substantially from any increase in Canadian oil markets.

[illegible] restrictions . . .

Gross income for the year 1959 totalled $7,893,375 compared with $7,521,794 for the year 1958. Net income from operations before deducting depreciation, depletion and surrendered leases amounted to $1,812,254 in 1959 as compared with $2,248,455 in 1958. After deducting all charges to income there was a net loss of $762,822 in 1959 as compared with a loss of $596,524 in 1958.

Since 1955, your Company's net income has declined due to an extensive exploration program which has resulted in increased charges to income for dry hole costs, exploration, surrendered leases and other related items. It should be pointed out, however, that these expenditures have substantially increased your Company's oil and gas reserves. From a total of 25,500,000 barrels at the end of 1954, proven and probable oil reserves have increased to 157,806,000 barrels at the end of 1959. Natural gas reserves have increased from 200 billion cubic feet to more than 480 billion cubic feet during the same period.

growth of reserves . . .

As a consequence of this success, and the investment in Trans-Canada Pipe Lines Limited, we have been faced with heavy demands for capital. Large sums were needed for the development of Swan Hills, for the acquisition of important adjacent leases and reservations and for the construction of the Carstairs gas processing plant after the discovery and development of that field. No substantial income has yet accrued from these investments. However, in 1960, increased income will be received from your Company's investments in Swan Hills, Virginia Hills and from gas properties in Nevis and Carstairs. The Company anticipates that it will receive income in 1961 from its investment in the 5½% Subordinated Convertible Income Notes of Trans-Canada Pipe Lines Limited. It is also anticipated that after 1960 capital requirements will be reduced from recent levels.

capital requirements . . .

major financing . . .

During the past several years the Company has financed its expansion out of cash flow and through bank loans which amounted to $31,453,558 at the end of 1959. Since the year end, the Company has sold publicly $20,000,000 (Canadian), 6% Convertible Subordinated Debentures, convertible into a maximum of 740,741 shares of Trans-Canada Pipe Lines Limited owned by the Company. When Home Oil Company Limited took over the holdings of certain original investors in Trans-Canada Pipe Lines Limited, it assumed their obligations including their rights to purchase a total of $7,140,000, 5½% Subordinated Convertible Income Notes. These notes are convertible into 476,000 common shares at $15 per share in 1964. As your Company holds 1,044,073 shares at present, it decided to utilize Trans-Canada shares in the conversion feature of its new debenture issue.

Early in 1960 the Company also completed the private sale of $10,000,000 (U.S.) 6½% Secured Bonds.

The completion of the financing will substantially eliminate year end bank debt. However, it is anticipated that capital expenditures resulting from the Company's successful exploration program will continue at a fairly high level in 1960, necessitating further short term borrowings.

production increases . . .

Oil wells in which your Company had an interest produced a total of 5,712,849 barrels or 15,652 barrels per day. Your Company's net production was 2,637,801 barrels or 7,227 barrels per day. Approximately 80 per cent of the Company's net production comes from wells operated by the Company.

change in spacing pattern . . .

In 1959 our oil reserves recorded a continued growth. In our reserves section, on page 11, the attention of our shareholders is directed to figures for proven developed and proven undeveloped. Your Company was convinced that our Swan Hills field could be adequately produced by drilling one well to each 320 acres. We applied to the Alberta Oil and Gas Conservation Board for this spacing. The Board, however, subsequently ordered development under 160 acre spacing. This meant that reserves which had been included in the proven developed category with 320 acre spacing had to be transferred to proven undeveloped until additional wells were drilled to conform to 160 acre spacing. In our last annual report, as at January 1, 1959, our proven developed reserves were estimated at 43,236,000 barrels and proven undeveloped at 23,820,000 barrels. It will be seen that to make allowance for 160 acre spacing, these figures have been amended in this report. It will be noted that, as new wells were drilled during the past winter, substantial reserves were transferred from the proven undeveloped to the proven developed category.

Virginia Hills discovery . . .

Our exploration activities in 1959 were highlighted by a most significant discovery southeast of the proven area of the Virginia Hills field. This field was discovered by your Company in 1957 concurrently with its discovery of Swan Hills, 26 miles to the northeast. Efforts to develop the Virginia Hills area proved dis-

appointing and three dry holes were drilled. However in the fall of 1959 a wildcat near the southeast corner of the reservation brought in the best well in the field with 90 feet of net pay. A second well, midway between this well and the proven area of Virginia Hills was equally satisfactory. As a result, an expanded development program has been instituted.

Morse River successes . . .

In our last annual report, we could indicate only that a dry hole had been drilled on the Morse River reservation adjoining Swan Hills. A second dry hole was drilled by your Company but two successful discoveries were also made. One was drilled in 1959 on the northwest corner of the reservation and a second was successful early in 1960 six miles to the south. Your Company has a 40% interest in this 92,160 acre reservation.

North of the proven area of Swan Hills your Company also completed a successful wildcat. It was located approximately four miles west and north of the original discovery. Late in 1959, another company was successful in a new test three miles due north of our successful step-out. Your Company's development drilling in this area, however, must await completion of the present program in Swan Hills and Morse River.

Carstairs expanded . . .

Following our discovery and development of the Carstairs gas field, it was unitized with your Company as the operator. The unit encompassed twelve sections, or 7,680 acres. Subsequently another company drilled two successful gas wells adjacent to the unit on the north and east. Your Company, in 1960, successfully completed a two mile step-out to the southeast which will substantially increase its marketable reserves of gas in Carstairs.

new gas discovery . . .

Early in March, 1960, your Company made a significant natural gas discovery on a large spread of acreage 7 miles north of the Carstairs gas field. Already holding an interest in 16 sections of freehold, the Company and its associates obtained 8,160 additional acres at an Alberta Crown sale held only the week before the discovery. On its first drill-stem test the well produced over 7,000,000 cubic feet of gas per day from a 30-foot interval in the Elkton formation. The strike will be further developed this summer.

Northwest Territories . . .

During the year the Company negotiated a farmout of 1,256,016 reservation acres in the Northwest Territories 27 miles northwest of the Petitot River gas discoveries. Your Company for a commitment of $1,625,000 will earn an interest of 12½% in the acreage. Home Oil is the operator and during the 1959-60 winter season drilled two wells. Although the first was dry, the second discovered gas in the Slave Point formation and flowed at better than seven million cubic feet per day on test. Further tests were being undertaken at the time of this report.

Enchant discovery . . .

During the summer a number of wells were drilled in the Enchant area of Alberta northeast of Lethbridge. Gas was discovered in two zones. It is hoped that sufficient reserves may be developed in these zones to permit production of the gas for sale to Trans-Canada Pipe Lines Limited. The Alberta Gas Trunk Line — Pincher Creek branch passes within four miles of Enchant.

secondary recovery . . .

It is now possible to report definite benefit has been achieved by the pressure maintenance project initiated in the Pembina field. Injection of water to raise the reservoir pressure has reduced the gas-oil ratio to a marked degree and improved our production. Similar results are anticipated from the Turner Valley water flood which is expected to be extended to an area comprising 70 wells in 1960.

new fields for enterprise . .

In your Company's participation in the Nevis gas plant, and its construction of the Carstairs gas processing plant, a further important expansion of its activities has taken place. The rapidly rising importance of natural gas makes it necessary to expand our specialized knowledge into new fields. In the building and operation of the Carstairs plant, much valuable additional information will be gained by your Company. One important advantage to your Company will be the insuring that the production and processing of our natural gas resources will be achieved with efficiency and economy.

Trans-Canada Pipe Lines Limited . . .

Because of the importance of your Company's interest in Trans-Canada Pipe Lines Limited, we have included on page 15 a special report on its activities for 1959. Trans-Canada had a very successful year. With the granting of export permits we can look forward with confidence to a steady growth of the company. Your Directors are gratified with the progress Trans-Canada has made and have every confidence in its future.

Your Company's oil production is concentrated in Alberta, so the health of the Alberta oil industry is vitally important to it. In 1959, Alberta production recovered somewhat from the depression of 1958 but was still well below the average levels reached in 1956 and 1957. Alberta last year averaged 355,000 barrels per day, compared with 310,000 in 1958 and 376,000 in 1957.

The Borden

The Canadian oil marketing problem occupied much of the attention of the Borden Royal Commission on Energy. The commission recommended that Canadian oil production should be expanded from its 1958 average of 508,000 barrels per day to reach 700,000 by the end of 1960. Failing this, consideration should be given to building a large diameter crude oil pipeline from Edmonton to Montreal. To reach the Borden objective would require minimum additional exports of 125,000 barrels per day. It is now clear, nine months after the Borden recommendations were formulated, that such an achievement is impossible. Current export gains barely exceed 30,000 barrels per day while 1960 Canadian production will probably average about 550,000 - 575,000 barrels per day.

Your Company will therefore continue to press vigorously for the adoption of a National Oil Policy predicated upon the construction of a pipeline to the Montreal market. Much of the recent improvement in production is the result of the concerted effort by your Company and other independents to promote a National Oil Policy for Canada and to build a new pipeline to Montreal. We believe our efforts have prevented further erosion of our markets and that by intensifying our activities more important gains may be scored.

markets improved . . .

In the meantime Canada's rapidly accelerating foreign trade deficit with the United States will serve to focus attention sharply upon foreign oil imports which are paid for in U.S. dollars. All oil imported aggravates our trade deficit. Canadian oil therefore becomes a potent weapon in an economic struggle. This fact, we believe, will lead to an increasing awareness, on the part of Canadians in and out of Government, of the benefit of a pipeline to supply Montreal refineries with Canadian oil.

oil imports and deficits . .

The recent approval by the Canadian Government of export of natural gas to the United States was most gratifying to your Company. It will assure Home Oil Company of markets for its most recent important natural gas discoveries. In addition, the decision will enable Trans-Canada Pipe Lines Limited to proceed immediately to develop new and lucrative markets south of the border.

At the end of 1959 employees of the Company numbered 314. During the year a trusteed pension plan was instituted to replace the previous insured plan. This will result in a pension benefit to the employees more closely related to their income at retirement date. In addition, certain other employee benefit schemes were improved.

The Directors and Officers wish to record their appreciation of the team spirit and enthusiastic effort displayed by the employees of your Company during 1959.

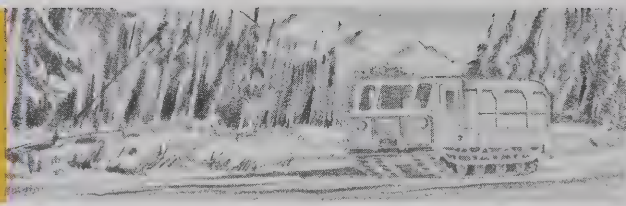
Respectfully submitted on behalf of the Board of Directors,

R. A. Brown Jr.

President.

Calgary, Alberta
April 4, 1960

EXPLORATION



During 1959, the rate of exploratory drilling was maintained at a high level and the success ratio achieved was the best in company history. A total of 18 wildcat wells were drilled and 5 were productive of oil or gas.

One of the most significant exploration plays the Company has entered, is in the Celibeta Lake area of the Northwest Territories. Your Company, paid as its share $875,000 and is committed to spend $750,000 in exploration over a period of five years, to earn a 12½% interest in 1,256,016 reservation acres. A further 31,996 acres under option may be acquired for a cash consideration. This play was taken because the seismic control implied the presence of a structure of large areal extent, which lies twenty-seven miles northwest of the Petitot River high pressure gas field. At the end of 1959 two wells were drilling, one on the crest of the structure, and the other on the southwest flank.

The Company employed one seismic crew throughout the year. Another crew was used for a short period of time in Swan Hills and southeastern Alberta.

On the Morse River reservation which adjoins our Swan Hills block to the southeast a wildcat on Lsd. 14-32-66-9 was completed as an oil well three miles east of the closest production. Home has a 40% working interest in this 92,160 acre reservation.

On the Swan Hills reservation a successful exploratory well was completed in Lsd. 10-17-68-10 approximately three miles north of the main body of the Swan Hills oil field.

In the Virginia Hills reservation, where the Company has a 21% working interest, a wildcat in Lsd. 4-2-65-13 proved to be the best well yet drilled on this 86,400 acre reservation. It found over 90 feet of net pay and extended the proven area almost four miles to the southeast. A follow-up well drilled almost two miles to the northwest, found over 100 feet of net pay. As a result of this success, 18 development wells are planned for completion during 1960 in Virginia Hills.

West of the Carstairs gas field, a successful oil well was completed in the Cardium formation on lands farmed out to other companies.

The Company in 1959 carried out an aggressive land acquisition policy in certain selected areas in which active exploration was being carried on or was planned for the 1960 program. Lease rentals and costs of maintaining reservations were kept low in comparison with the Company exploration activity. Our main acquisitions were concentrated in the Celibeta Lake area of the Northwest Territories and within the Province of Alberta. Active exploration is now being conducted on our Alaska lands which have been farmed out to other companies, resulting in a minimum of cost to your Company.

EXPLORATION ACREAGE HOLDINGS — DECEMBER 31, 1959

Province	P. & N.G. Leases		Reservations, Licences and Permits		Totals	
	Gross	Net	Gross	Net	Gross	Net
ALBERTA	1,263,489	491,312	1,790,102	707,013	3,053,591	1,198,325
SASKATCHEWAN	74,655	9,272	—	—	74,655	9,272
ONTARIO	83,496	41,748	—	—	83,496	41,748
ALASKA	—	—	—	—	257,500	257,500
N.W.T.	—	—	1,256,016	153,011	1,256,016	153,011
Totals	1,421,640	542,332	3,046,118	860,024	4,725,258	1,659,856

PRODUCTION

Your Company's net share of oil production during 1959 was 2,637,801 barrels, compared with 2,471,111 barrels in 1958. On a daily average basis, the comparison would be between 7,227 barrels per day in 1959 and 6,770 in 1958. It is interesting to note that our production from Swan Hills became an important source of revenue for the Company for the first time. The Company was the ninth largest producer of crude oil in Alberta in 1959.

The development drilling carried out in Swan Hills during 1959, along with the connection of this field to Edmonton, resulted in the Company's production increasing from 20,573 barrels in 1958 to 287,914 barrels in 1959. Further development drilling in this field and the Virginia Hills field (connected to pipeline in December of 1959) will result in substantially increased production for 1960.

In Swan Hills at year end the Company had an interest in 40 producing oil wells of which 33 were placed on production during the year. Five additional wells had been drilled and were awaiting completion. Seven drilling rigs were engaged in a continuous development drilling program on other locations. Because a number of wells were completed in the early part of the winter drilling program, full benefit of these completions will not be realized until 1960.

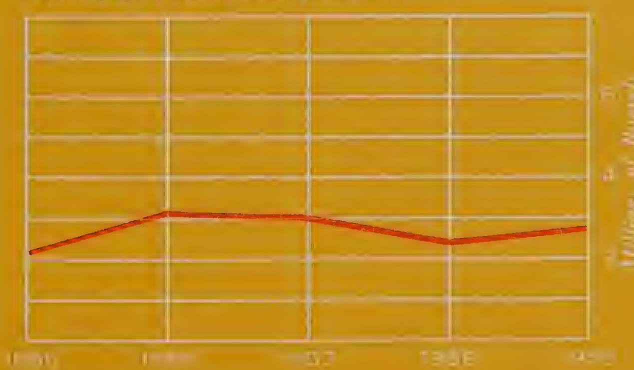
Your Company has an interest of 31.25% in the original Swan Hills reservation and varying but similar interests in leases acquired later at Crown Sales.

In Virginia Hills, the Company had an interest in four oil wells at the year end, with four rigs engaged in development drilling, and one drilling an exploratory location. Home Oil Company Limited holds a 21% working interest in this reservation.

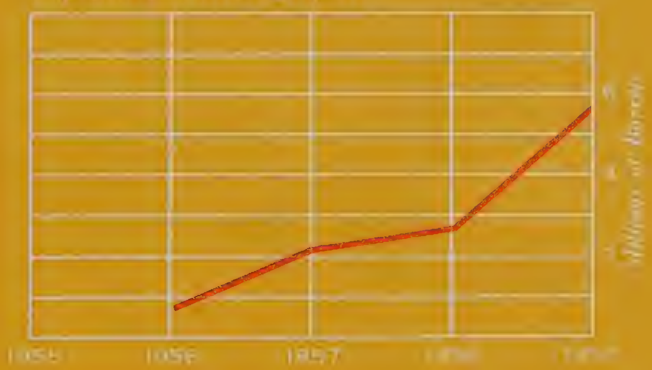
Extension wells to define the limits of the Carstairs gas field are planned for drilling early in 1960.

In recent years the science of reservoir engineering has made rapid strides in developing methods which result in recovering a higher percentage of the oil originally in place. When applied to a reservoir, these methods also increase the rate at which oil may be withdrawn. Your Company is continuing its efforts to increase productivity as fields are developed by installing pressure maintenance facilities.

Annual Net Production



Pipeline Throughput



Within the Pembina field the Company in 1959 placed an additional 640 acres, involving eight wells, on water flood. This brings our Pembina area under water flood to 2,080 acres. Our engineers are generally well satisfied with the success achieved in Pembina. High gas-oil ratios, which led to curtailment of production, have been substantially reduced with beneficial results to our production income.

When the ratio of gas to oil exceeds 1,000 cubic feet of gas per barrel of oil, production must be reduced. Prior to the installation of water flooding in January, 1958, one group of wells had an average gas-oil ratio of 2,700 cubic feet per barrel. At that time this group produced 8,100 barrels during the month. In January, 1960, production increased to 11,952 barrels of oil while the gas-oil ratio was reduced to an average of 555 cubic feet per barrel.

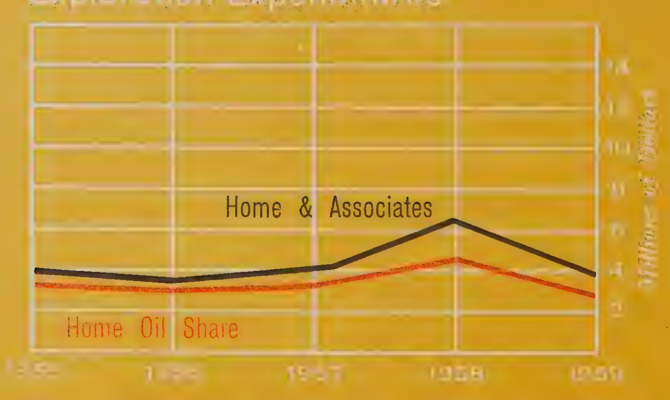
In another group of wells, water flooding started in September, 1958, when the wells produced at the rate of 6,100 barrels per month at a gas-oil ratio of 1,400 cubic feet per barrel of oil. During January, 1960, the same wells produced 11,250 barrels at a ratio of 550 cubic feet per barrel.

In the Turner Valley field, where re-pressuring was started in 1958, no new properties were placed under water flood operations in 1959. However, the 280-acre pilot area presently under water flood in North Turner Valley has shown encouraging results and it is anticipated that some 2,800 acres involving 70 wells will be added to the project during 1960.

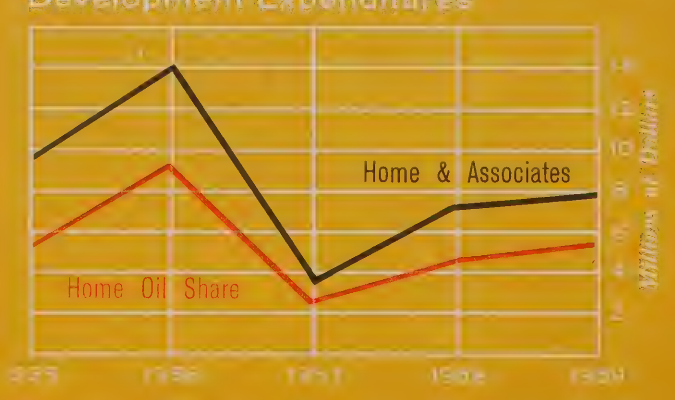
Studies of our Swan Hills reservoirs indicated in 1959 that production was being obtained from two separate zones. As a result we applied to the Alberta Oil and Gas Conservation Board for the establishment of separate allowables for each zone, similar to practice in other multiple-zone reservoirs in Alberta. If two allowables are assigned the effect will be to increase our total production from all wells in Swan Hills where the double productive zones are present.

Unit negotiations have been carried forward with other operators in the Leduc-Woodbend and Harmattan-Elkton oil fields in order that plans may be initiated to increase production and recoverable oil reserves.

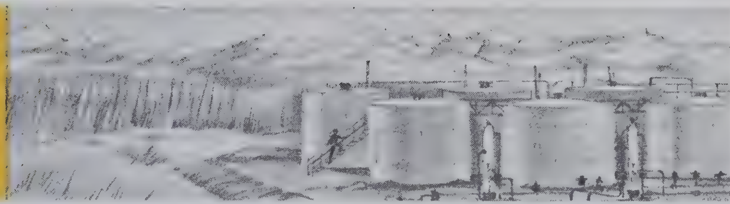
Exploration Expenditures



Development Expenditures



RESERVES



A summary of the Company's reserves as at January 1, 1960 as prepared by McDaniel Consultant's Ltd. is shown below with comparative figures for January 1, 1959, and an estimate for April 1, 1960.

The probable additional crude oil reserves shown below include 79,582,000 barrels as at January 1, 1960, and 79,715,000 barrels as at April 1, 1960 which are predicated on the beneficial effects that may be obtained with the institution of pressure maintenance. The remaining crude oil reserves in this classification were estimated on the basis of probable additional field areas.

The crude oil reserve estimates given for the Swan Hills field in the 1958 annual report were predicated on the then existing 320 acre development pattern. The Oil and Gas Conservation Board of Alberta did, however, on July 29, 1959, issue an order establishing 160 acre spacing pattern in this field. Certain proven developed crude oil reserves assigned as of January 1, 1959 would as a result of this order be classified in a proven undeveloped category. The previous report was therefore adjusted for this change in order that a proper comparison can be made.

	April 1, 1960	Jan 1, 1960	Jan 1, 1959
Crude Oil Reserves (Barrels)			
Proven Developed	55,528,000	47,854,000	37,311,000
Proven Undeveloped	17,204,000	25,447,000	29,745,000
Probable Additional	84,370,000	84,505,000	85,588,000
	157,102,000	157,806,000	152,644,000
Natural Gas Liquids (Barrels)			
Proven Developed	7,972,000	7,127,000	6,608,000
Proven Undeveloped	4,241,000	4,145,000	4,128,000
Probable Additional	659,000	1,101,000	2,382,000
	12,872,000	12,373,000	13,118,000
Total Crude Oil and Natural Gas Liquids	169,974,000	170,179,000	165,762,000
Natural Gas (M.C.F.)			
Proven Developed	317,950,000	297,096,000	266,389,000
Proven Undeveloped	145,020,000	142,362,000	137,322,000
Probable Additional	32,029,000	43,697,000	92,128,000
	494,999,000	483,155,000	495,839,000

Crude Oil
and Natural Gas Liquid Reserves

Natural Gas Reserves

FINANCIAL

Gross income amounted to $7,893,375 in 1959, an increase of 5% over income of $7,521,794 in 1958. Income from crude oil production continued to be adversely affected by the restricted markets for Alberta oil and by price reductions. After deducting operating expenses but before deducting depreciation, depletion, surrendered leases and dry hole costs, cash flow amounted to $2,271,422 in 1959 as compared with $2,853,474 in 1958. After deducting these items there was a loss of $762,822 for the year 1959 as compared with $596,524 in 1958.

Capital requirements continued at a high level with the continuing development of the major Swan Hills oilfield, the participation in gas plants at Carstairs and Nevis, and other activities.

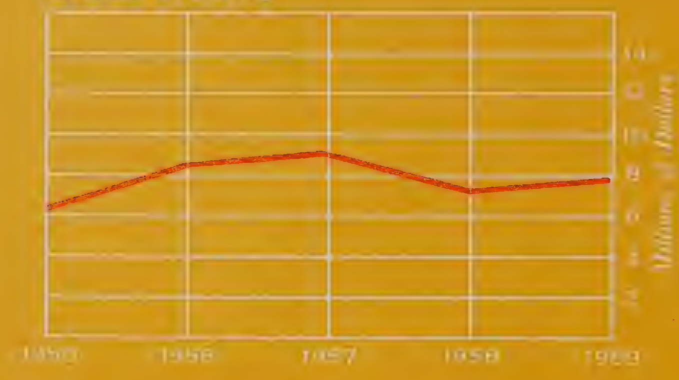
Capital expenditures amounted to $8,486,000 in 1959, as compared with $8,152,588 in the previous year. Total expenditures on exploration and development on behalf of the Company and its major associates were $11,685,175 in 1959, and $13,857,768 in 1958. The Company is the operator and has a basic 50% interest in the majority of exploration and development programs with two major associates sharing the remaining 50%.

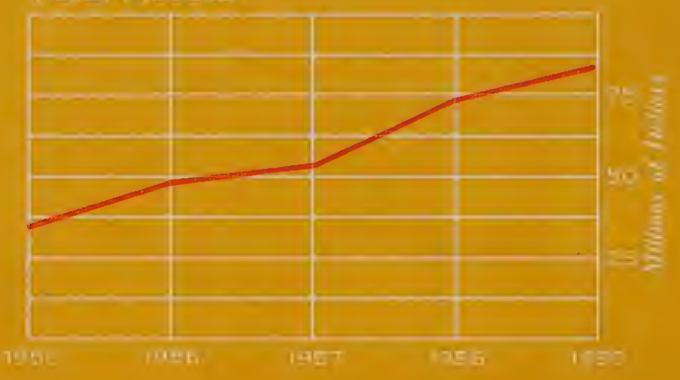
The Company purchased $3,356,800, 5½% Subordinated Convertible Income Notes of Trans-Canada Pipe Lines Limited during the year. The Company has an obligation to purchase an additional $3,783,200 principal amount of the notes and it is anticipated that it will be called upon to fulfil its obligation during 1960.

Federated Pipe Lines Ltd., 50% owned by the Company, during the year, completed the private sale of $5,000,000, 5⅞% First Mortgage Bonds, Series A and arrangements were made to sell $4,000,000, 6½% First Mortgage Bonds, Series B, in order to finance construction of the rapidly expanding pipe line system. The Company has in effect guaranteed 50% of this debt.

A Source and Use of Funds statement for the year follows:

	1959	1958
	(THOUSANDS OF DOLLARS)	
SOURCE OF FUNDS		
Gross income	$ 7,894	$ 7,522
Sales of investments, etc.	211	197
Issue of capital stock and debentures	66	1,111
Increase in working capital deficiency	10,955	17,414
	$19,126	$26,244
USE OF FUNDS		
Exploration, operating, and administrative expenses	$ 3,122	$ 2,930
Capital expenditures, including dry hole costs	8,486	8,153
Investment in Trans-Canada Pipe Lines Limited	3,357	11,767
Investment in Federated Pipe Lines Ltd.	10	250
Repayment of long term debt	851	952
Interest expense	2,347	1,572
Dividends to shareholders	514	446
Miscellaneous uses of funds	439	174
	$19,126	$26,244





NATURAL GAS

Natural gas sales during 1959 from all fields amounted to 6,095 million cubic feet compared with 5,854 million cubic feet in 1958. This increase of 4% did not include any significant deliveries from Nevis or Carstairs. The Nevis plant went on stream in December, 1959, and the latter was not scheduled for completion till March, 1960. Home Oil's interest in the Nevis plant is approximately 15%.

Constructed in 1959, the Carstairs gas processing plant, in which your Company has a 39% interest, went on stream on February 27, 1960. It has an installed capacity of 75,000,000 cubic feet per day of raw gas. Built at a cost of $3,700,000 it will employ 29 people.

Less than two years elapsed between the discovery of the Carstairs gas field and its being placed on production. This record was made possible by the fact that a market became available for the gas soon after it was discovered. Because the Carstairs gas has a low hydrogen sulphide content, it was unnecessary to go to the expense of installing a sulphur recovery unit in the processing plant.

During 1960, the Nevis field will provide Home Oil with approximately one billion cubic feet of gas sales. Carstairs, during 1960, will provide the Company with approximately 3.7 billion cubic feet of gas. Moreover, sales volumes from each of these fields will increase each year until 1963 when the Company's annual sales will be approximately 1.23 billion cubic feet at Nevis and 6.43 billion cubic feet at Carstairs. These figures for 1963 correspond to average sales of 3.37 million cubic feet per day at Nevis and 17.6 million cubic feet per day at Carstairs. Neither figure makes any allowance for increases to the Carstairs plant as a result of extension of the field beyond its present unitized area. Three successful wells have been completed outside the unit to date.

Sales of natural gas liquids (propane, butane, natural gasoline and condensate) amounted to 47,622 barrels in 1959, a decrease from 60,273 barrels in 1958. This figure will rise sharply when Carstairs comes on stream. It will produce condensate at the rate of 37 barrels per million cubic feet of gas. During the first year of operations Home Oil's share of the Carstairs condensate production will approximate 138,000 barrels, rising to approximately 200,000 barrels in 1963.

A five year contract has been completed for sale of Carstairs condensate to a new refinery near Bowden, Alberta. Condensate from the Nevis plant is being sold to a connected pipeline.

Natural gas is now being marketed to local utility companies from Turner Valley, Jumping Pound, Leduc-Woodbend, Fort Saskatchewan, Redwater and Pembina; and to Trans-Canada Pipe Lines Limited from Bindloss, Atlee-Buffalo, Nevis and Carstairs. Drilling adjacent to the Carstairs Unit has outlined considerable additional reserves in which the Company has an interest. It is anticipated that the Carstairs Unit will be expanded during 1960 to include this additional gas.

Plans are now underway for unitization of the East Calgary field and construction of processing facilities. The gas from East Calgary will be sold for export to the Pacific Northwest area of the U.S.A. and it is anticipated that this gas will reach market during 1961.

The Company has additional natural gas reserves in the Harmattan-Elkton, Priddis, Erskine, Campbell Creek, Enchant and other areas which are not presently connected or committed to a market.

PIPELINES

The Company operated two oil pipeline gathering and transmission systems during 1959.

Your Company's wholly owned Cremona Pipe Line Division had its most successful year. It handled an average of 10,155 barrels per day, compared with 7,390 barrels in 1958. This line serves the Sundre, Westward Ho, Harmattan-Elkton and Harmattan East oil fields 60 miles northwest of Calgary. Recent development of the Harmattan East field coupled with expansion of Calgary refinery capacity were responsible for the improvement in Cremona's operation. It has a present capacity of 18,000 barrels per day.

Federated Pipe Lines Ltd., which is owned 50% by Home Oil Company Limited, and operated by your Company, was pressed throughout 1959 to keep pace with demands for extension of its facilities into new areas being developed in the Swan Hills region of Alberta. It was connected to the Sarah Lake, Judy Creek and Virginia Hills fields in 1959 and, in addition to its 123 miles of main line from Swan Hills to Edmonton, it now has 43.5 miles of lateral lines and 48.2 miles of gathering lines.

During 1959, the line averaged 5,185 barrels per day throughput. By February 1960 it was handling 16,000 barrels a day. Its capacity is 20,000 barrels per day without pumps being installed. By the installation of additional pumping facilities or looping the capacity of this line can be greatly increased. Studies are underway to determine which method of expanding facilities will be undertaken in 1960.

At year end, plans were being completed to construct two further extensions. The Judy Creek lateral will be extended about 12 miles to the south west to the Whitecourt field. An 18 mile link northward from the Swan Hills terminal will connect the Deer Mountain field north east of Swan Hills. A total of 135,000 feet of eight-inch laterals and 32,000 feet of six-inch laterals will be used in these extensions.

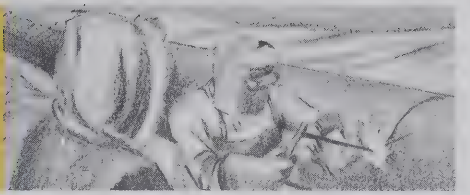
Federated Pipe Lines Ltd.

—— 1958 CONSTRUCTION

- - - 1959 CONSTRUCTION

...... 1960 CONSTRUCTION (NOT COMPLETED)

TRANS-CANADA PIPE LINES LIMITED



Trans-Canada Pipe Lines Limited, of which your Company owns 17.8 per cent of the common shares presently outstanding, marked its first 12-month period of operations ending December 31, 1959 with substantial increases in natural gas sales along its 2,290-mile route across Canada.

Trans-Canada's natural gas sales for 1959 totalled 74.4 billion cubic feet, more than three times greater than sales in 1958 which totalled 23.6 billion cubic feet.

Maximum daily sales for the year 1959 occurred in December when the peak sale for one day totalled 359 million cubic feet, compared with the peak day in December, 1958, of 225 million cubic feet.

Trans-Canada's substantial increase in natural gas sales, in addition to reflecting the first full year of operations by the Company, also indicated the growing acceptance of natural gas along the Trans-Canada route from the Alberta-Saskatchewan border to Montreal. Many of the areas now being served are receiving the benefits of natural gas for the first time.

Also during 1959, compressor station horsepower was increased from 48,500 to 75,500 horsepower with the construction of four additional compressor stations, bringing the total in operation to ten. Three of the new stations were built on the section of the pipe line owned by Northern Ontario Pipe Line Crown Corporation, and one on the Trans-Canada section.

Nine additional sales meter stations were installed, for a total of 75 sales meter stations now operating.

Capacity of the present Trans-Canada transmission system is approximately 400 million cubic feet daily.

The National Energy Board began hearings January 5, 1960, in Ottawa relative to proposals to export Canadian natural gas to the United States. Trans-Canada was one of five applicants seeking export permits, and the company's request was in three parts:

1. An application to export near Emerson, Man., 204 million cubic feet of gas daily, 74 billion cubic feet annually, and a total of 1,410 billion cubic feet over a period ending May 14, 1981;
2. An application for a certificate of public convenience and necessity to construct and operate a 50-mile, 30-inch diameter extension to its main line, from Winnipeg to Emerson, together with six compressor stations and necessary meter stations;
3. An application for a licence to export near Niagara Falls, Ont., on a seller's option basis such quantities of interruptible natural gas surplus to the requirements of the Canadian market which Trans-Canada may have available on any one day or days up to but not exceeding 204 million cubic feet on any one day over a period ending May 14, 1981.

The hearings continued 28 working days. The National Energy Board was told that Trans-Canada's construction program for 1960 including the export project at Emerson would cost approximately $32,000,000 and employment would be provided for 1,200 men. Export at Emerson also would bring into Canada $20,000,000 annually in American funds, a substantial contribution to the Canadian economy.

As a result of an aggressive gas purchase program, Trans-Canada has under firm contract or by letter of intent all of the gas required for its Canadian markets and for the proposed export at Emerson, Manitoba. Proven reserves dedicated to Trans-Canada total 7.69 trillion cubic feet. The company now has permission from the Alberta Oil and Gas Conservation Board to export from that province 6.6 trillion cubic feet in the period ending May 14, 1981, and has made arrangements to obtain from the Saskatchewan Power Corporation an additional 142 billion cubic feet of Alberta natural gas.

Consolidated Balance Sheet

ASSETS

	As at December 31, 1959	As at December 31, 1958
CURRENT ASSETS		
Cash	$ 549,578	$ 91,177
Accounts receivable	3,572,955	2,579,902
Due from affiliated companies	132,437	74,695
Inventories of materials and supplies, at lower of cost or market	874,110	1,306,798
	5,129,080	4,052,572
CASH IN HANDS OF SINKING FUND TRUSTEE	75,500	273,000
INVESTMENTS		
Trans-Canada Pipe Lines Limited, at cost (Note 2)	33,850,173	30,493,373
Other investments, at cost less amounts written off	571,236	700,937
	34,421,409	31,194,310
PROPERTY, PLANT AND EQUIPMENT, at cost		
Petroleum and natural gas leases and rights together with development and equipment thereon		
Producing	59,474,864	53,632,644
Less accumulated depletion and depreciation	(32,955,568)	(31,732,998)
Non-producing	9,366,969	9,487,016
Land, buildings, pipe line property and other equipment	7,021,463	5,770,186
Less accumulated depreciation	(1,627,355)	(1,337,473)
	41,280,373	35,819,375
OTHER ASSETS AND DEFERRED CHARGES		
Unamortized debt discount and expense	434,619	402,146
Miscellaneous	709,684	544,521
	1,144,303	946,667
	$82,050,665	$72,285,924

The accompanying notes to financial statemen

LIABILITIES

	As at December 31, 1959	1958
CURRENT LIABILITIES		
Due to banks — secured	$31,453,558	$21,009,299
Accounts payable and accrued charges	4,396,776	2,930,994
Dividend payable	256,870	253,891
Current portion of long term debt	851,103	733,392
Estimated liability for taxes on income	124,498	124,130
	37,082,805	25,051,706
LONG TERM DEBT (Note 3)	14,121,632	15,435,972
CAPITAL STOCK AND SURPLUS		
Capital stock (Note 4)		
Authorized		
4,343,873 Class A shares of no par value		
3,656,127 Class B shares of no par value		
Issued and fully paid		
2,055,090 Class A shares (1958 — 2,035,974)	15,833,187	15,574,536
2,349,531 Class B shares (1958 — 2,343,331) (including 275,506 Class B shares held by subsidiary companies — see below)	12,402,603	12,336,079
	28,235,790	27,910,615
Earned surplus — per statement attached	6,027,743	7,304,224
	34,263,533	35,214,839
Less — Cost of 275,506 Class B shares held by subsidiary companies	3,417,305	3,416,593
	30,846,228	31,798,246
	$82,050,665	$72,285,924

Approved on behalf of the Board:

R. A. Brown Jr. Director

Robert W. Campbell Director

... an integral part of the above balance sheet.

Consolidated Statement of Income

	For the year ending December 31, 1959	1958
INCOME		
Gross income from operations	$7,712,452	$7,416,358
Interest and miscellaneous income	180,923	105,436
	7,893,375	7,521,794
EXPENSE		
Operating expense	1,289,468	1,190,730
General and administrative expense	947,451	775,556
Exploration expense	428,643	558,751
Dry hole costs	459,168	605,019
Non-producing property expense	472,203	382,838
Surrendered leases	187,199	184,956
Depreciation and depletion	2,387,877	2,660,023
Interest and expense on long term debt	930,874	1,129,964
Other interest	1,466,098	611,851
Write-down of investments and advances	50,000	—
	8,618,981	8,099,688
Loss before taxes on income	725,606	577,894
PROVISION FOR TAXES ON INCOME of subsidiary companies	37,216	18,630
LOSS for the year	$ 762,822	$ 596,524

The accompanying notes to financial statements are an integral part of the above statement.

Consolidated Statement of Earned Surplus
For the year ended December 31, 1959

BALANCE as at January 1, 1959		$7,304,224
Less: Dividends on Class A shares	$513,659	
Loss for the year	762,822	1,276,481
BALANCE as at December 31, 1959		$6,027,743

The accompanying notes to financial statements are an integral part of the above statement.

Notes to Financial Statements

As at December 31, 1959

Note 1 ACCOUNTING POLICIES

Exploration expenses are charged to income as incurred. Lease bonus acquisition costs are capitalized and carrying charges of both producing and non-producing properties are charged to income. The capitalized cost is charged to income if a lease is surrendered. The cost of drilling a productive well is capitalized and the cost of an unproductive well is charged to income when determined to be dry. The cost of producing leases and drilling costs of producing wells are depleted using the unit of production method based upon estimated recoverable quantities of oil and gas as determined by the Company's engineers.

The consolidated financial statements of the Company and subsidiaries include the accounts of all companies in which the Company, directly or indirectly, has ownership of more than 50% of the voting capital stock.

Note 2 TRANS-CANADA PIPE LINES LIMITED

The Company, as at December 31, 1959 held 1,044,073 common shares and $3,356,800 principal amount 5½% Subordinated Convertible Income Notes due 1987 (convertible after July 1, 1964 into 223,786 common shares) of Trans-Canada Pipe Lines Limited. The market value of this investment at December 31, 1959 amounted to $32,251,797 according to quoted prices of the shares on the Toronto Stock Exchange and assuming the income notes (for which there is no quoted market value available) have the same value as 223,786 shares. Owing to the relatively large investment by the Company in Trans-Canada Pipe Lines Limited the indicated market value based on published quotations of the shares should not necessarily be considered the net realizable value of this investment.

In addition, the Company is obligated to purchase from time to time, when called upon to do so, in the event of certain deficiencies in the earnings of Trans-Canada Pipe Lines Limited during the period November 1, 1958 to December 31, 1963 a further $3,783,200 principal amount of Income Notes (convertible after July 1, 1964 into 252,214 common shares). The Company has been advised that it will be called upon to fulfil its obligation in 1960.

Subsequent to December 31, 1959 the Company deposited with an escrow agent, 740,741 common shares of Trans-Canada Pipe Lines Limited pursuant to the conversion privilege attached to the 6% Convertible Subordinated Debentures, due January 15, 1975 which were sold on February 2, 1960 (Note 3).

Note 3 LONG TERM DEBT

Details of Long Term Debt	December 31, 1959	December 31, 1958
5½% Secured Notes due September 1, 1971		
Series A	$ 2,785,000	$ 3,000,000
Series B ($5,105,000 U.S.)	4,929,387	
($5,500,000 U.S.)		5,310,799
(both series were issued with Class A share purchase warrants and are subject to sinking fund)		
5¾% Secured Convertible Sinking Fund Debentures, 1956 Series, due December 15, 1971 (one-half of $4,461,000 at December 31, 1959 convertible into Class A shares)	4,906,000	5,369,000
6½% Secured Sinking Fund Pipe Line Bonds, due November 1, 1977	1,800,000	1,900,000
5½% Mortgage maturing September 1, 1975 (payable in monthly installments)	552,348	589,565
	14,972,735	16,169,364
Less — Current portion	851,103	733,392
	$14,121,632	$15,435,972

The Company, on February 2, 1960 received the proceeds from the sale of $20,000,000 6% Convertible Subordinated Debentures, due January 15, 1975 convertible into common shares of Trans-Canada Pipe Lines Limited owned by the Company, commencing August 1, 1960 at $27 per share to January 15, 1970 and at $32 per share thereafter. The proceeds from the sale of this issue were used to reduce bank indebtedness.

The Company is negotiating a private sale of $10,000,000 (U.S.) 6½% Secured Bonds due January 31, 1975. It is estimated that the proceeds will be received on or before April 1, 1960.

Note 4 CAPITAL STOCK

(a) The holders of Class A shares are entitled to cumulative dividends of 25¢ per share per annum. After payment of this dividend the Class B shareholders are entitled to dividends up to 25¢ per share per annum. Dividends in excess of the foregoing in any year are payable equally on Class A and Class B shares. Class B shareholders have exclusive voting power unless the dividend on the Class A shares is in default for two years at which time the shares will have equal rights during the period of default.

Notes to Financial Statements (continued)

(b) During the year the following amounts were credited to capital stock accounts:
   (i) $258,652 upon conversion of debentures into 19,116 Class A shares.
   (ii) $ 66,524 upon issuance of 6,200 Class B shares to officers and employees upon exercise of options.

(c) There were 220,096 Class A shares reserved at December 31, 1959 for issuance upon conversion of debt and upon exercise of warrants as follows:

5½% Secured Notes, Series A and B (each $1,000 Note was issued with a purchase warrant entitling the holder to purchase 7 Class A shares at $16 per share on or before September 1, 1966)	59,500 shares
5¾% Secured Convertible Sinking Fund Debentures, 1956 Series (convertible as to one-half of principal amount on or before December 15, 1966 — initial price effective until December 15, 1960 approximately $13.89 per share)	160,596 shares
	220,096 shares

(d) As of December 31, 1959 there were outstanding options held by officers and key employees to purchase 152,350 Class B shares at prices ranging from $10 to $20.25 per share at varying dates to February 19, 1968.

Note 5 EXECUTIVE REMUNERATION AND LEGAL FEES

In arriving at the loss for the year the following charges were included:

Executive remuneration	$125,678
Directors' fees	8,050
Legal fees	85,860

Note 6 CONTINGENT LIABILITY

The Company has entered into Throughput and Deficiency Agreements in effect guaranteeing 50% of the principal and interest of outstanding First Mortgage Bonds of Federated Pipe Lines Ltd., a 50% owned company. As at December 31, 1959 First Mortgage Bonds outstanding amounted to $7,000,000 and bonds in the amount of $2,000,000 will be issued between July 1 and September 30, 1960 to finance extensions to the pipe line system.

The Company has guaranteed the payment by Kern County Land Company, Alminex Limited and United Oils, Limited of $500,000 being the balance of 25% of the purchase price of an interest in certain lands in the Northwest Territories and adjacent Yukon Territory in which the Company also has an interest. The Company is obligated to pay 25% and has guaranteed the payment by the above associates of an additional 25% of at least $3,000,000 of exploration and development expenses to be incurred on these lands over a five year period.

The Company is from time to time required in the course of its business operations to guarantee or be responsible for the obligations of its associates in such operations. The Company does not consider any of such existing commitments or obligations, other than those referred to above, to be material.

Home Oil Company Limited

Auditors' Report to the Shareholders

We have examined the consolidated balance sheet of Home Oil Company Limited and subsidiary companies as at December 31, 1959 and the related consolidated statements of income and earned surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

We have obtained all the information and explanations we have required and, in our opinion, the accompanying consolidated balance sheet and consolidated statements of income and earned surplus were prepared in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year and present fairly the financial position of Home Oil Company Limited and subsidiary companies as at December 31, 1959 and the results of their operations for the year then ended, according to the best of our information and the explanations given to us and as shown by the books of the Companies.

Calgary, Alberta
March 14, 1960.

RIDDELL, STEAD, GRAHAM & HUTCHISON
Chartered Accountants.

FIVE YEARS AT A GLANCE • 1955 to 1959

	1959	1958	1957	1956	1955
EARNINGS					
Gross Income	**$ 7,893,000**	$ 7,522,000	$ 9,220,000	$ 8,733,000	$ 6,421,000
Income before capital charges	**2,271,000**	2,853,000	4,323,000	4,586,000	3,426,000
Net income (Loss)	**(763,000)**	(597,000)	(770,000)	(746,000)	367,000
CAPITAL EXPENDITURES					
(including dry hole costs)	**8,486,000**	8,153,000	4,533,000	13,428,000	7,709,000
FINANCIAL POSITION					
Working capital (deficiency)	**(31,954,000)**	(20,992,000)	(3,578,000)	8,167,000	1,356,000
Properties, wells, plant and equipment less depletion and depreciation	**41,280,000**	35,819,000	34,293,000	35,116,000	26,680,000
Investment Trans-Canada Pipe Lines Limited	**33,850,000**	30,493,000	12,985,000	—	—
Long term debt (due after one year)	**14,122,000**	15,436,000	23,132,000	22,506,000	6,234,000
Shareholders' equity	**30,846,000**	31,798,000	22,365,000	22,639,000	23,779,000
SHAREHOLDERS					
Number of shares outstanding	**4,129,115**	4,103,799	3,571,946	3,503,825	3,493,725
Number of shareholders	**12,600**	12,370	11,413	10,430	—
RESERVES					
Crude Oil (barrels)	**157,806,000***	152,644,000*	81,691,000*	53,485,000*	34,620,000
Natural Gas Liquids (barrels)	**12,373,000***	13,118,000*	6,322,000*	7,778,000*	5,720,000
Natural Gas (thousand cubic feet)	**483,000,000***	495,000,000*	306,000,000*	359,000,000*	367,000,000*
WELLS DRILLED					
Development					
Gross	**39**	25	17	82	41
Net					
Oil	**10**	5	9	50	17
Gas	**2**	2	1	—	1
Dry	**1**	1	1	1	1
Exploratory					
Gross	**18**	18	13	22	16
Net					
Oil	**1**	—	1	1	1
Gas	**1**	1	—	1	2
Dry	**5**	6	4	7	4
EXPLORATION ACREAGE					
Gross	**4,725,258**	2,540,525	2,026,986	1,654,596	893,000
Net	**1,659,856**	1,104,335	768,564	674,282	400,000
NUMBER OF EMPLOYEES	**314**	285	255	255	229
CREMONA PIPE LINE DIVISION					
Total throughput (barrels)	**3,706,582**	2,697,433	2,169,995	646,526	—
Average daily throughput (barrels)	**10,155**	7,390	5,945	7,027	—
FEDERATED PIPE LINES LTD.					
Total throughput (barrels)	**1,892,539**	—	—	—	—
Average daily throughput (barrels)	**5,185**	—	—	—	—

* Includes probable additional reserves

All statistical data appearing in this report refers to Home Oil and Federated Petroleums as if the amalgamation had been in effect during the periods referred to.

COMPANY SHARE OF PRODUCTION

Producing Properties December 31, 1959 Gross Wells	Net Wells	Field or Area	1959	1958	1957	1956	1955
		Crude Oil Production — Barrels					
133	100.68	Turner Valley	469,522	487,985	564,147	640,345	743,428
71	35.10	Leduc-Woodbend	394,635	399,611	497,914	573,489	548,796
58	35.37	Pembina	379,082	430,770	710,163	813,858	176,262
25	15.56	Harmattan-Elkton	347,719	387,847	428,498	284,707	689
40	12.53	Swan Hills	287,914	20,573	215	—	—
24	18.00	Redwater	284,822	247,653	400,959	533,867	529,109
20	17.50	Erskine	228,609	228,417	236,723	192,435	101,987
19	8.30	Westward Ho	125,716	154,412	140,267	80,874	30,533
30	9.49	Joarcam	53,053	63,039	80,543	95,570	116,004
4	1.00	Harmattan-East	25,253	21,285	—	—	—
1	.87	Stettler	13,645	12,987	16,812	19,077	9,151
4	.83	Virginia Hills	11,691	6,010	68	—	—
2	1.16	Sundre	5,414	7,184	6,902	1,121	—
3	1.06	Other Fields	10,726	3,338	9,586	8,766	4,438
434	257.45		2,637,801	2,471,111	3,092,797	3,244,109	2,260,397
		Average Daily Production	7,227	6,770	8,473	8,864	6,192

On January 1, 1958 the Company sold certain producing properties in Pembina and Harmattan-Elkton. In addition the market demand for Alberta crude in 1958 was 18.3% less than that for 1957.

Gross Wells	Net Wells	Field or Area	1959	1958	1957	1956	1955
		Natural Gas Production — Thousands of Cubic Feet					
8	7.50	Turner Valley	4,204,113	4,425,763	5,124,961	4,671,947	6,085,097
	(Note 1)	Leduc-Woodbend	346,470	283,989	339,761	351,856	306,503
	(Note 2)	Jumping Pound	867,352	927,353	777,219	628,988	528,143
	(Note 2)	Fort Saskatchewan	49,764	79,176	92,948	37,956	—
	(Note 1)	Redwater	42,186	31,268	43,916	—	—
	(Note 1)	Pembina	336,262	41,311	—	—	—
8	1.40	Atlee Buffalo	175,829	65,676	—	—	—
2	.68	Nevis	73,787	—	—	—	—
18	9.58		6,095,763	5,854,536	6,378,805	5,690,747	6,919,743
		Average Daily Production	16,701	16,040	17,476	15,548	18,958
		Natural Gas Liquid Production — Barrels					
	(Note 3)	Turner Valley	32,442	45,543	50,543	46,959	56,330
	(Note 1)	Leduc-Woodbend	3,601	4,039	4,458	4,448	4,142
	(Note 2)	Jumping Pound	10,577	10,522	10,073	8,193	9,649
	(Note 1)	Pembina	1,002	169	—	—	—
			47,622	60,273	65,074	59,600	70,121
		Average Daily Production	130	165	178	163	192
		Producing Wells					
		Gross	452	422	431	418	328
		Net					
		Oil	257	238	254	246	193
		Gas	10	10	9	9	8
		Capped Gas Wells					
		Gross	39	39	32	35	32
		Net	13	12	10	9	9

NOTES:

(1) Produced from crude oil wells
(2) Production from royalty interest
(3) Production from natural gas and crude oil wells

1925

Home Oil Company Limited was organized by Major James R. Lowery to drill in Turner Valley following the famous Royalite No. 4 discovery of wet gas and naphtha in 1924.

1929

A Canadian record was established when Home Oil paid $1,000,000 for a quarter section on the flank of Turner Valley. Company reorganized and 880,000 shares issued to old shareholders. Income from production reached $728,343.18.

1930

Precipitous drop in production began as depression settled over Canada. Production income in 1930 was $251,061.53 and the following year dropped to $9,187.77.

1934

Entire holdings in Turner Valley sold to Royalite for 20,000 shares of Royalite common stock. Company became a holding company for mining operations in B.C.

1936

R. A. Brown, Sr., and J. W. Moyer discovered crude oil in limestone of Turner Valley. R. A. Brown, Sr. and J. W. Moyer — sponsors of this company — were joined by R. A. Brown Jr. and Brown, Moyer and Brown Limited was formed. They drilled a string of successful wells on royalty basis.

1939

Home Oil returned to Turner Valley and discovered the north end reservoir. Home Millarville No. 2 became the most prolific oilwell in the British Empire and has produced more than 1,745,209 barrels.

1941

Income from production in Turner Valley reached $1,385,674 and two years later Home reported a gross income of $2,036,716.87.

1947

Leduc was discovered and Home Oil joined with other Canadian independents in getting into this play quickly.

1948

Home Oil participated in the discovery of Woodbend which eventually became part of the Leduc-Woodbend field.

1951

Federated Petroleums, Ltd. obtained a controlling interest in the Home Oil Company Limited.

1953

Alminex Ltd., and Geoil Ltd., became participating partners in Home Oil exploration activities.

1954

Company acquired important production in Erskine and Pembina and participated in discovery of Sarcee gas field and in the discovery of the Westward Ho oil field. This was followed by the Company's discovery of the Harmattan-Elkton field. Both were significant Mississippian discoveries.

1955

The union of Home Oil and Federated Petroleums was completed with an exchange of shares.

1956

Cremona Pipeline was built from Harmattan to Calgary at a cost of $2,600,000.

1957

In January the Company discovered the Virginia Hills oil field north west of Edmonton. In March, the Swan Hills oil field was discovered. A six mile stepout from the latter well found oil in the Edith Lake sector of Swan Hills.

1958

In equal partnership with Texaco Canada Ltd. Home Oil built the 130 mile Federated Pipeline from Swan Hills to Edmonton. It completed, by spring breakup in 1959, a total of 35 successful oil wells in the Swan Hills field. One dry hole was drilled four miles south west of the field but a successful stepout was made three miles north of the field.

Thirty-five miles north of Calgary, the Company discovered the Carstairs gas field. Four wells have been completed, one with an open flow potential of 107,000,000 cubic feet per day.

Kern County Land Company of California joined as participator in all Home Oil exploration plays.

1959

Natural gas in two separate zones was discovered in the Enchant area of Alberta. Construction was begun on the $3,700,000 Carstairs gas processing plant. Cremona pipeline division had its best year. Federated Pipeline was extended to Sarah Lake, Virginia Hills and Judy Creek fields. A wildcat on south east corner of Virginia Hills block found 90 feet of net pay and set a big development drilling program in motion. Two successful wildcats were drilled along the western edge of the Morse River reservation. Arrangements were completed for a farmout of 1,256,016-acre reservation in the Northwest Territories 27 miles north west of the Petitot River gas discoveries.

Company acreage holdings at year end were 4,725,258 gross acres and 1,659,856 net acres.

Home Oil Company Limited

OPERATING ORGANIZATION

Robert A. Brown, Jr. — *President*
John W. Moyer — *Chairman of the Board*
Robert W. Campbell — *Vice-President and General Manager*
Max C. Govier — *Secretary and Treasurer*

George J. Blundun — *Exploration Manager*
John L. Carr — *Chief Geologist*
Eugene T. Cook — *Chief Geophysicist*
Robert E. Humphreys — *Manager, Land Department*
Herbert Saklofsky — *Chief Draftsman*

Maurice P. Paulson — *Manager, Production and Pipelines*
William D. Lundberg — *Manager, Production Department*
Kevin C. Milne — *Manager, Gas Department*
Alexander G. Morison — *Manager, Reservoir Engineering Department*
Gordon W. Webster — *Manager, Unitization Department*

Ross F. Phillips — *Comptroller*
John D. Balfour — *Manager, Personnel Department*
Graham W. Bennett — *Chief Accountant*
John P. Crone — *Manager, Internal Audit Department*
Edward P. Swiffen — *Purchasing Agent*
George M. Thomson — *Manager, Systems and Procedures Department*

John H. Hamilton — *Assistant to the General Manager*

Bartlett B. Rombough — *Assistant to the Treasurer*

John W. Bellamy — *Manager, Tax Department*

Ronald B. Coleman — *Manager, Legal Department*

Donald W. Douglas — *Manager, Aviation Department*

Ian M. Drum — *Manager, Special Projects*

James H. Gray — *Manager, Public Relations*

Auditors

RIDDELL, STEAD, GRAHAM & HUTCHISON

Solicitors

MACLEOD, McDERMID, DIXON, BURNS
McCOLOUGH, LOVE and LEITCH

Bankers

THE CANADIAN BANK OF COMMERCE

Transfer Agents

CROWN TRUST COMPANY

EMPIRE TRUST COMPANY

Registrars — Capital Stock

CROWN TRUST COMPANY

THE CANADIAN BANK OF COMMERCE
TRUST COMPANY

Listings

TORONTO STOCK EXCHANGE

VANCOUVER STOCK EXCHANGE

CALGARY STOCK EXCHANGE

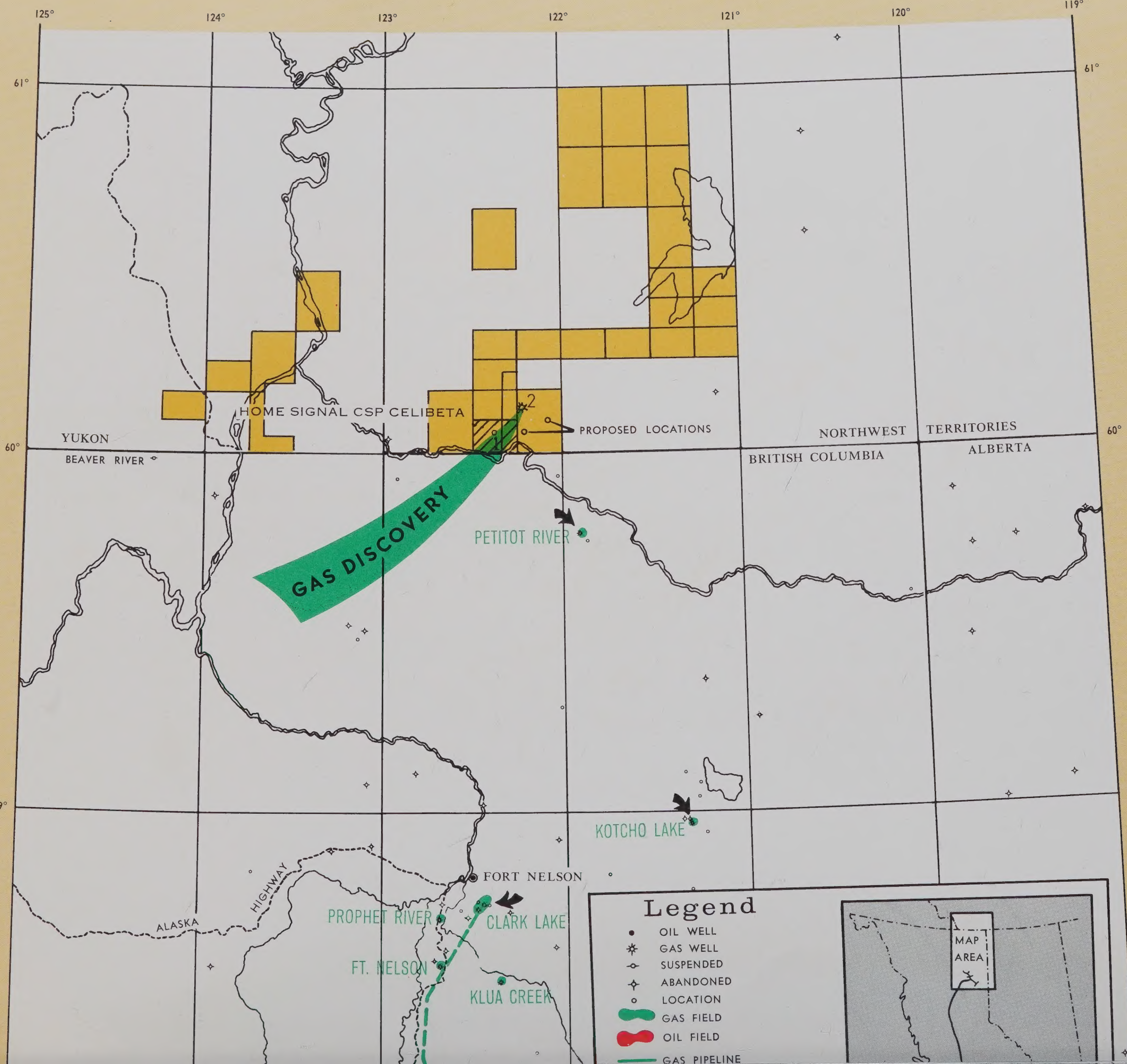
MONTREAL STOCK EXCHANGE

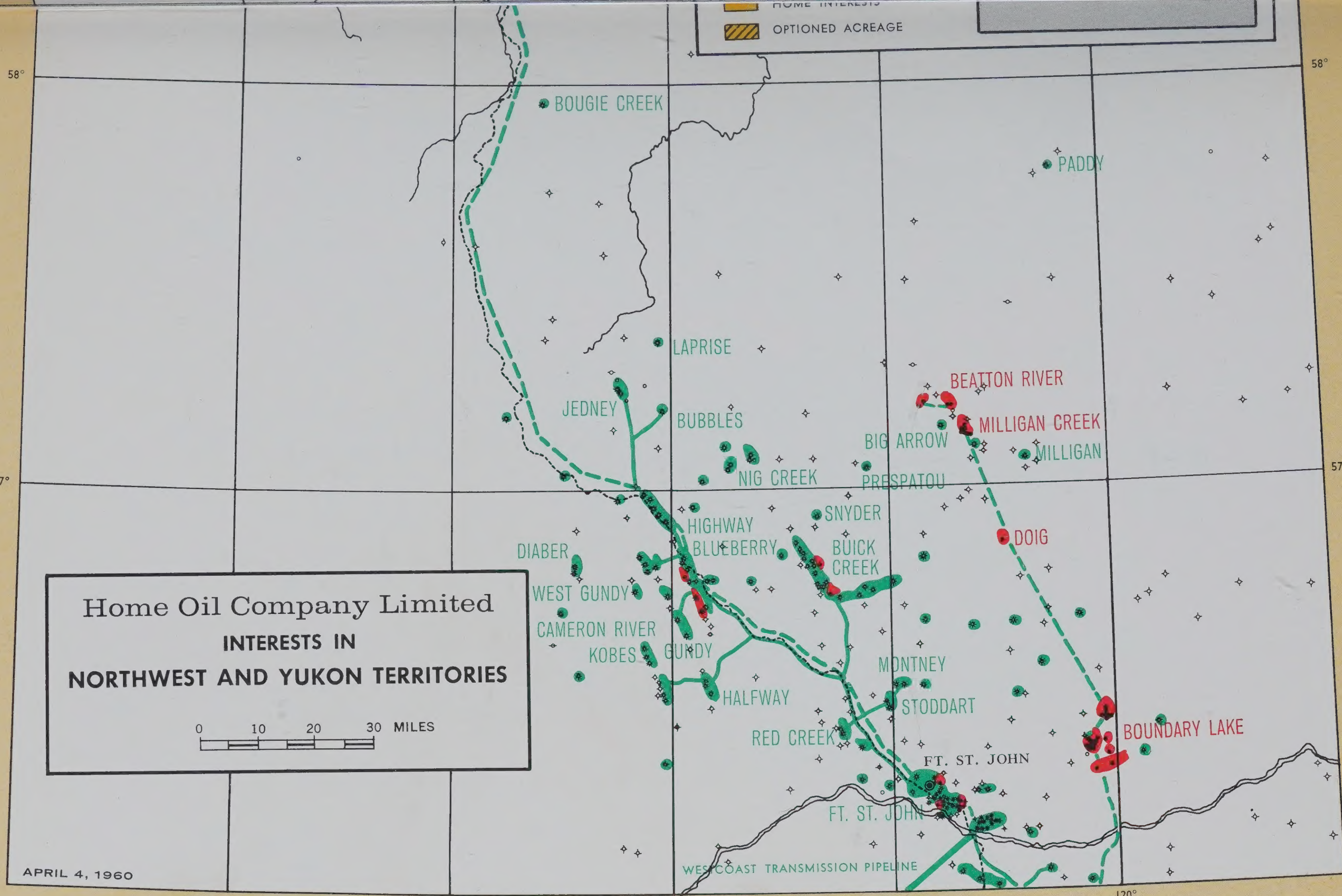
AMERICAN STOCK EXCHANGE

PACIFIC COAST STOCK EXCHANGE

Home Oil Company Limited

Head Office: 304 - 6th Avenue West, Calgary, Alberta


125°
124°
123°
122°
121°
120°
119°
61°
60°
59°
HOME SIGNAL CSP CELIBETA
2
1
PROPOSED LOCATIONS
YUKON
BEAVER RIVER
NORTHWEST TERRITORIES
BRITISH COLUMBIA
ALBERTA
GAS DISCOVERY
PETITOT RIVER
KOTCHO LAKE
FORT NELSON
ALASKA HIGHWAY
PROPHET RIVER
CLARK LAKE
FT. NELSON
KLUA CREEK
Legend
OIL WELL
GAS WELL
SUSPENDED
ABANDONED
LOCATION
GAS FIELD
OIL FIELD
GAS PIPELINE
MAP AREA



HOME INTERESTS
OPTIONED ACREAGE
Home Oil Company Limited
INTERESTS IN
NORTHWEST AND YUKON TERRITORIES
0 10 20 30 MILES
APRIL 4, 1960
BOUGIE CREEK
PADDY
LAPRISE
JEDNEY
BUBBLES
BEATTON RIVER
MILLIGAN CREEK
BIG ARROW
MILLIGAN
NIG CREEK
PRESPATOU
SNYDER
HIGHWAY
BLUEBERRY
BUICK CREEK
DOIG
DIABER
WEST GUNDY
CAMERON RIVER
KOBES
GUNDY
HALFWAY
MONTNEY
STODDART
RED CREEK
BOUNDARY LAKE
FT. ST. JOHN
FT. ST. JOHN
WESTCOAST TRANSMISSION PIPELINE
58°
57°
56°
124°
123°
122°
121°
120°

LITHOGRAPHED IN